

95
YEARS
OF SERVICE



THE KEY TO SURVIVAL

Minority banks are pursuing innovation, leveraging technology, cultivating partnerships and courting younger customers to be well positioned to grow and expand

By Carolyn M. Brown



MINORITY-OWNED BANKS HAVE EXISTED IN THE U.S. FOR OVER A CENTURY. Underserved communities rely on minority-owned banks to provide access to credit and capital along with the opportunities that can come from such financial services like buying a home and starting a business. For 95 years, the National Bankers Association (NBA) has been the voice of minority banks. NBA members include Black, Hispanic, Asian, Pacific Islander, Native American and women-owned and -operated banks across the country, all working to help low- and moderate-income communities who receive limited access from traditional financial service providers.

Banks that are majority-owned or -operated by people of color are federally recognized under the designation of a Minority Depository Institution (MDI). Today, there are 143 MDIs across 600 minority-majority communities. MDIs have been on the front lines of closing the racial wealth gap by providing mortgage credit, small business lending and other banking services to minority and underserved communities.

Several studies have shown that minorities, especially Black and Brown Americans, are more likely to have bank accounts and access to fair and reasonably priced mortgage and small business loans if there is an MDI in their neighborhood. Yet, according to multiple reports, there are fewer bank branches where minority residents live. On average, 70%

An influx of deposits and equity capital in the aftermath of George Floyd's murder boosted total assets for MDIs by 131% from \$248.6 billion in 2019 to \$325.8 billion in 2021.

of minorities do not have a branch in their neighborhood. At the same time, MDI branches are located in census tracts with an average 77% minority population compared to 31% for all FDIC-insured depository institutions, reports the Milken Institute.

While they provide critical banking services, MDIs have experienced a period of

significant decline, down 40% since 2008 and making up just 3% of the market. Today, there are just 19 Black-owned and -operated banks out of about 5,000 banks nationwide. The all-time peak was 134 Black-owned banks. Although an overall industry decline shows the number of banks falling 70% between 1984 and 2020, MDIs, particularly those servicing Black consumers, are facing an existential fight for their existence.

In addition, MDIs are far smaller than the average non-MDI bank. As of December 31, 2021, there are 143 MDIs located across 29 states, the District of Columbia, Puerto Rico and Guam, with assets totaling \$325.8 billion, according to data from the Federal Deposit Insurance Corporation (FDIC). The largest MDI bank tops \$64 billion in total assets. This figure pales in comparison to the largest U.S.

The average assets of Black MDIs grew by **150%** to \$363 million in the aftermath of George Floyd.

bank, which has \$3.3 trillion in assets. Moreover, all MDIs have an average of \$2.3 billion in assets compared to an average of \$4.9 billion for all U.S. banks.

NBA president and CEO Nicole Elam notes that undercapitalization limits the ability of MDIs to invest in technology and compete with larger, better-capitalized banks. Properly scaled, she says, MDIs are best positioned to address the problem of unbanked and underbanked minority populations and to provide access to capital for minority communities.

Within a two-year span, MDIs saw an influx of capital in the wake of the May 2020 murder of George Floyd and public outcry for social justice. Individuals and companies were especially quick to move money into Black-owned and -operated banks, with their assets growing by more than 140%, totaling \$6.9 billion in 2021, up from \$4.8 billion in 2019. The average assets of Black MDIs grew by 150%, from \$231 million to \$363 million, during that same period.

M&F Bank in North Carolina, the nation's second-oldest Black-owned bank, reported an uptick of about 20% in overall deposits from individuals and small to medium-sized businesses. With more than \$650 million in assets, OneUnited in Boston reportedly added more than 100,000 new customers and grew revenue 150%. New Orleans' Liberty Bank and Trust grew from \$600 million in assets to top \$1 billion, making it the largest Black-owned bank in the country, with locations in 11 states.

FDIC data shows the total assets for all MDIs grew over 130%, up from \$248.6 billion in 2019. Big banks like JPMorgan Chase, Citigroup, Wells Fargo and Bank of America also poured cash into minority banks. According to the NBA, MDIs were the beneficiary of over \$350 million in direct equity capital investments from big banks.



"As digital capabilities increasingly define financial services, MDIs must modernize in order to survive and thrive."

—Nicole Elam, NBA

"The recent inflow of capital in no way levels the playing field when there has been over 150 years of undercapitalization," says Elam. "We are only 3% of the entire banking sector, yet minority banks are the primary providers of home mortgages and small business loans in communities where minority populations are greater than 77%." Deposits alone aren't enough, Elam adds, the banks need revenue generating business opportunities in the way of loan syndications, providing lines of credit, participating in corporate debt transactions and performing services in the payments stream. This introduces minority banks into meaningful roles in a company's financial services supply chain.

CELEBRATING 95 YEARS OF SERVICE

Born out of hostile times for minority borrowers and bankers, the National Bankers Association was created in response to discriminatory banking practices. R. R. Wright of Citizens Bank and Trust Company

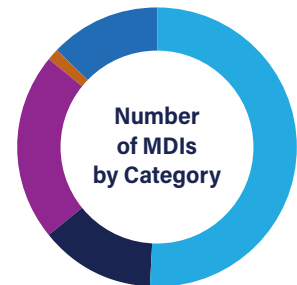
of Philadelphia and C. C. Spaulding of Mechanics and Farmers Bank of Durham, North Carolina, met with representatives of 19 Black-owned and -operated banks and savings-and-loan institutions in 1927 to form the National Negro Bankers Association. Their principal purpose was to develop programs designed to strengthen member banks, helping to increase their numbers and economic impact on minority communities.

Since inception, "our mission, which is to serve MDIs, has always been the same. What has evolved and changed is how we have served them," says Elam. "Before the murder of George Floyd, we were a traditional trade association that focused on advocating for public policies that advanced MDIs and the communities they serve, providing programs, and uplifting the profile of the sector," Elam explains. "But post-George Floyd, we started to prioritize creating partnerships that capitalize, modernize and strengthen MDIs with a public and private sector that has become more interested in racial equity and in MDIs."

Elam says that the NBA's top four priorities are around securing capital for MDIs, obtaining business opportunities, regulatory reform, and digitization. As Baby Boomers retire and Millennials and Gen Z (Continued on Page 4)

Number of MDIs Across America

As of December 31, 2021, there are 143 MDIs located across 29 states, the District of Columbia, Puerto Rico and Guam, with assets totaling \$325.8 billion. The largest MDI bank tops \$64 billion in total assets.



- Asian or Pacific Islander American **73**
- Black or African American **19**
- Hispanic American **31**
- Multiracial American **2**
- Native American or Alaskan Native American **18**

Source: FDIC

Undercapitalization of MDIs

Total assets of all MDIs represent only 1.3% of the entire banking sector. Black MDIs make up only 0.029% of total U.S. bank assets.

Total Assets of All MDIs = **1.3%**



Total Assets as of December 31, 2021

All FDIC-Insured Banks	\$23.7 Trillion
All MDIs	\$325.8 Billion
Asian MDIs	\$168.1 Billion
Hispanic MDIs	\$143.2 Billion
Native American MDIs	\$7.1 Billion
Black MDIs	\$6.9 Billion
Multiracial MDIs	\$449,959 Million

Source: FDIC

78% of Americans prefer to do their banking digitally.

reshape the economy, Elam points out that many banks are shifting their customer acquisition strategy from focusing solely on expanding branches to creating mobile-friendly services.

DRIVING DIGITAL BANKING DISRUPTION

The banking industry is undergoing massive digital disruption. Online account opening, mobile apps and e-bill payments are commonplace, with most Americans, 78%, preferring to do their banking digitally, according to the Ipsos-Forbes Advisor U.S. Weekly Consumer Confidence Survey. Consumers use digital banking not only to make account deposits and transfer funds but also to more easily apply for loans and access personalized money management services. Increased consumer demand for digital banking services has given rise to numerous tech advancements in the



financial services sector, with artificial intelligence (AI) at the core of this transformation, according to research by Insider Intelligence. While most legacy banks now offer online services, digital platforms appeal to Millennials and Gen Z.

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Citi is Helping to Close the Gap Between Community Lenders and MWOBEs



Harold Butler
Managing Director

For many small and medium-sized businesses in the U.S., securing a loan involves manual processes that can be time-consuming. Often, they are limited to banks near their own location. These hurdles are acutely felt by minority-owned businesses who have to surmount these challenges in addition to being historically denied access to capital. Additionally, local and community banks have limited access to digital tools to reach potential borrowers, which can make

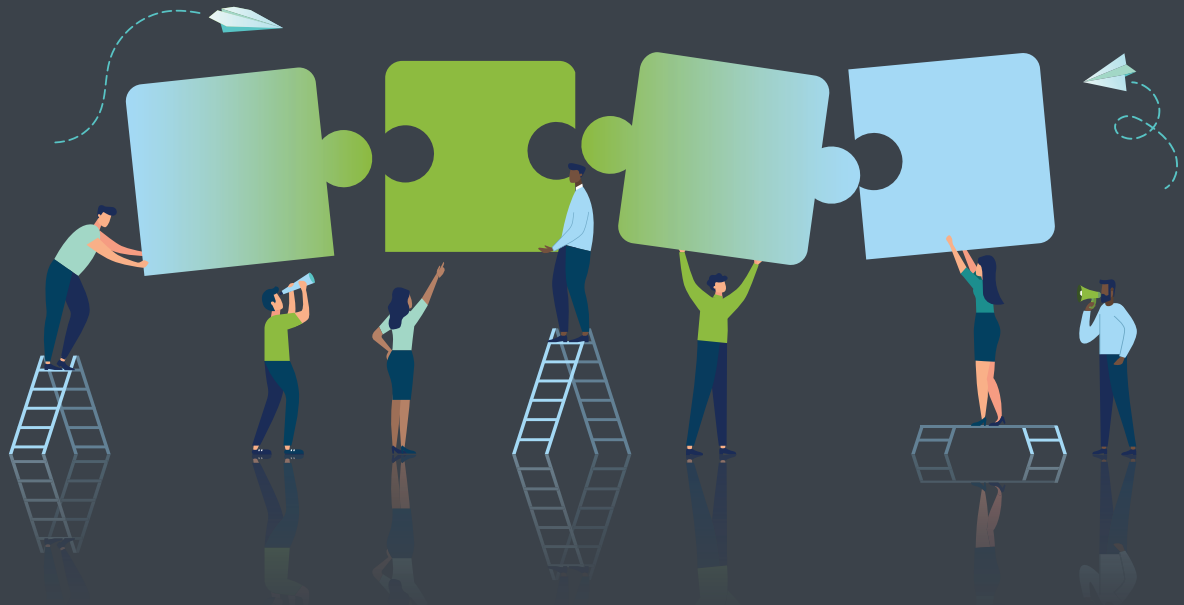
it difficult to broaden their customer base. Minority depository institutions (MDIs) lack the benefit of both time and budget to meaningfully invest in scaling up operations on par with the largest financial institutions. Citi has pledged to help bridge that gap. Enter the Bridge built by CitiSM program.

Bridge built by Citi is a service that connects businesses with lenders in their region and nationally, enabling borrowers to interact with lenders beyond those that have a physical location nearby through a single, quick and easy online request. By connecting borrowers with more lenders, the platform can empower businesses with access, choice and convenience, as well as capital to grow their businesses. Lenders can expand their reach beyond their immediate local market and offer their clients a seamless, high-quality user experience. To date, the platform has successfully onboarded nine MDIs, helping these firms to connect with the diverse entrepreneurs that drive economic growth and prosperity in their hometowns.

Learn more about the Bridge built by Citi program here: www.bridgebuiltbyciti.com



REACH BANKS QUICKLY TO LOOK FOR LENDING OPTIONS.



With a single request, Bridge built by CitiSM can give you quick access to many regional and local banks, including Minority Depository Institutions. Named Honoree of *Fast Company's* World Changing Ideas Award 2022, this all-in-one platform can provide a faster, easier way for your business to look for funding tailored to your company's unique needs.

Explore loan options for your business.

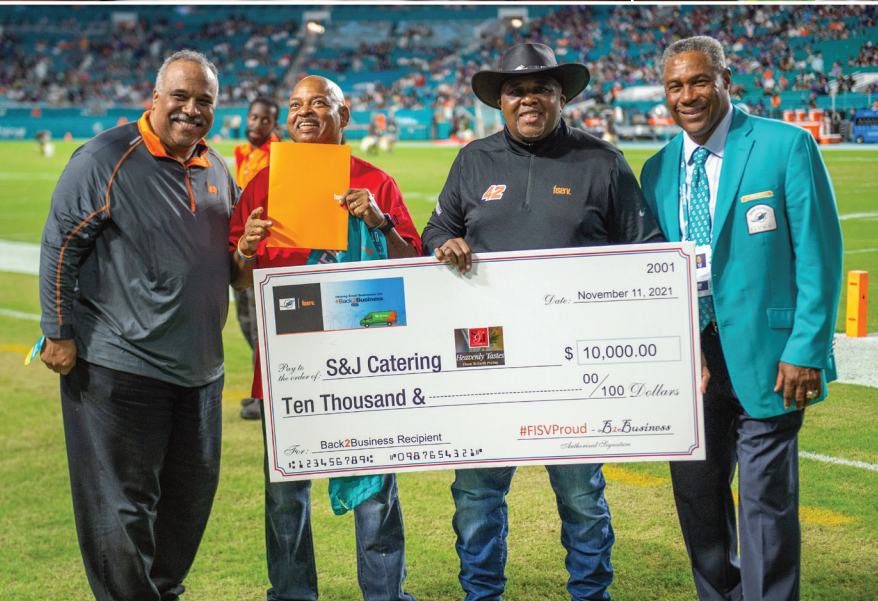


Get started at
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to learn more.

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As digital capabilities increasingly define financial services, MDIs must modernize in order to survive and thrive, says the NBA's Elam. But to do so, they must address key challenges. One is cost. Technology is expensive for small MDIs that are already undercapitalized, Elam says. Another challenge is capacity in that small MDIs don't have the scale to hire dedicated IT staff to help them identify tech needs, vet third-party alternatives and integrate new digital solutions into their existing tech stack. Elam explains that digital modernization takes more than just

implementing new technology but requires hiring new staff with different skill sets, as well as training existing personnel on new digital processes. Another challenge facing MDIs, says Elam, is that they are beholden to a small group of core IT providers that dominate the industry and that prioritize the tech needs of large banks over small banks.

In 2020, a new generation of FinTechs emerged, specializing in serving communities of color and immigrants. The NBA is working with FinTech companies to help its member banks modernize. One such partnership is with Upstart, an AI lending platform designed to improve access to affordable credit. The NBA Innovation Council, which includes the Alliance for Innovative Regulation, Finastra, Ideanomics and Lendistry, identifies and assesses partnerships and technology solutions that will help member banks survive and thrive in an era of digital disruption.

LEVERAGING INNOVATION AND TECHNOLOGY

When COVID-19 disproportionately affected the health and financial well-being of communities of color in the United States, MDIs providing financial services to these communities also were hit particularly hard. The pandemic accelerated the need for technology and digitization within the financial services industry when branches had to close their doors. Elam says it also ushered in a new competitive landscape, where you saw Square, Amazon, PayPal and different payment processors now providing banking services, as well as an explosion of new FinTechs. "Those banks

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Back²Business



We believe in partnership. Through our Back2Business program, Fiserv is proud to help move business forward with a \$50 million commitment to help small, minority-owned businesses in their recovery.

“We must always think in terms of how do we reach people who are not being reached.”

—Alden J. McDonald Jr., Liberty Bank



Todd McDonald and Alden J. McDonald Jr.

that were already behind in terms of technology fell even further behind,” she adds.

What’s more, the need for MDIs to keep up with technology was ever apparent with the Paycheck Protection Program (PPP), which the SBA and Treasury Department established to provide a lifeline to small businesses that were struggling due to the pandemic. Black-owned businesses turned to non-banks and FinTechs to secure PPP loans at twice the rate of those businesses owned by people of other races or ethnicities, according to research by the Federal Reserve Bank of New York.

Liberty Bank was equipped to work with many of their business clients to help them secure PPP loans. “Our bank already had the technology up and running to be able to benefit from the supporters of the Black Lives Matter movement,” says Todd McDonald, who recently succeeded his father, Alden J. McDonald Jr., as Liberty Bank’s president. Thousands of accounts were opened in record time. It was in the aftermath of Hurricane Katrina that the bank replaced all of its hardware and



software and turned to digital banking solutions. As a result, “we further saw the benefits of being digitally available to clients across the country. Our technology now allows clients to handle both personal and business banking services from the palm of your hand,” adds McDonald, noting that “other smaller MDIs could not provide that level of access.”

Optus Bank has adopted an unrelenting focus on technology-driven innovation in the back office, front office and compliance functions to deliver responsive and

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American Bankers Association

Committed to helping banks of all sizes build diverse, equitable and inclusive workplaces that represent the communities they serve.

ABA members achieve DEI goals with exclusive training, industry leading practices and other resources.

Learn more at aba.com/DEI



American Bankers Association



National Bankers Association

*Working together to support
minority depository institutions*

Congratulations to the NBA for 95 years
of advocacy for minority depository institutions.

ABA is proud to partner with the NBA
to support MDIs and advance the banking industry's
push to close the racial wealth gap.

aba.com/DEI



American
Bankers
Association®

responsible products and services. Last year, Optus announced a new voice banking feature through Amazon and in partnership with Smiley Technologies. Now Optus' customers can bank hands-free using Alexa.

"Although our mission of helping our customers and communities build wealth has not changed in over 100 years, our tools have evolved to remove the friction in our customers' financial lives.



"The Amazon Alexa feature is part of our effort to provide our rapidly growing customer base the ability to seamlessly access their Optus Bank accounts."

—Dominik Mjartan, President and CEO, Optus Bank

70% of the bank's customer engagement occurs through digital platforms

The Amazon Alexa feature is part of that effort to provide our rapidly growing customer base the ability to seamlessly access their Optus Bank accounts," said Dominik Mjartan, president and CEO of Optus Bank, in a released press statement. "This new feature also meets one of our guiding principles: a commitment to customer-centric design of products

focused on meeting the needs of all customers but especially those previously unbanked, underbanked and historically underserved people and places," he further stated. Optus is the only Black-owned bank in South Carolina, based in Columbia, with a \$300 million asset size.

Citizens Trust Bank in Atlanta is also pursuing innovation and employing

technology to meet growing expectations of customers who use digital services. This includes deploying artificial intelligence, leveraging customer data and improving the customer experience across all digital platforms. More than 90% of Black Americans own smartphones, and following this trend, more than 70% of the bank's customer engagement occurs through digital platforms. To that end, enhancements were made to Citizen Trust's CTBMobile app to provide convenient financial solutions and tools for its customer and business relationships.

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Opportunity emerges through access

Access to capital is one of the biggest barriers to closing the racial wealth gap in the United States. Minority depository institutions (MDIs) serve lower income, minority, and rural communities that don't always fit the criteria for loans at other banks. Unfortunately, the number of MDIs has decreased from 215 in 2008 to only about 142 in 2021.

As an anchor investor in the Mission-Driven Bank Fund, Truist is looking to help close the wealth gap by bolstering the support of both MDIs and community development financial institutions (CDFIs).

"Our purpose is to inspire and build better lives and communities," said Donta Wilson, chief retail and small business banking officer. "The Mission-Driven Bank Fund reflects that purpose by helping these institutions offer affordable financial products that support small businesses, community development, affordable housing, and other initiatives that foster growth and prosperity."

The commitment to closing the wealth gap extends to other parts of Truist's business—from mentoring small and minority-owned businesses to increased spending goals with diverse suppliers to expanding opportunities for diverse asset managers.

"Financial stability is a powerful change agent for individuals, families, companies, and communities," said Kimberly Moore-Wright, chief teammate officer and head of enterprise diversity. "It has the power to bring security, peace of mind, and positive behaviors that inspire financial change and better lives."

Learn more about Truist's work at <https://www.truist.com/who-we-are/diversity-equity-inclusion>.





Closing the gap. Widening the opportunity.

At the core of our purpose—to inspire and build better lives and communities—is care. It's what guides us to be intentional about diversity, equity, and inclusion. And what drives us to relentlessly pursue ways to close the wealth gap for communities of color and the underserved.

From mentoring minority-owned businesses to increased spending with diverse suppliers—we're committed every day. Because everyone should have the opportunity to thrive.



[Truist.com](https://www.truist.com)

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“Long-term success means being able to understand what customers want in the Millennial and Gen Z market.”

— Kenneth Kelly
First Independence Bank

In 2021, Citizens Trust Bank celebrated its 100th year of existence, with now more than \$668 million in assets and locations in Georgia and Alabama. Last year, the Black-owned bank was fortunate to partner and collaborate with several Fortune 100 companies and major organizations, said Cynthia N. Day, president and CEO of Citizens Trust Bank in her message to shareholders. She wrote, “These partnerships resulted in invested capital into our company, shared expertise and resources, depository relationships and participation in major credit facilities.” She further noted that such partnerships also provide opportunities to scale and expand the bank’s core business in current and new markets, invest in innovative technology and ultimately deepen its impact “with a broader number of consumers and businesses to

reverse the negative trend of an expanding wealth gap in Black and Brown communities.”

Increasing access to financial services in underserved communities remains at the crux of MDIs and their mission to meet the needs of the unbanked and underbanked. “We must always think in terms of how do we reach people who are not being reached,” says Liberty Bank’s Alden J. McDonald Jr. “How can we influence the marketplace where more communities of color gain access to capital?”

ENGAGING NEXT-GENERATION CONSUMERS AND LEADERS

For Kenneth Kelly, chairman and CEO of First Independence Bank, long-term success means being able to understand what customers want in the Millennial and Gen Z market. Otherwise, “we’ll become irrelevant to them,” he says. He acknowledges that Millennials are unique in how they bank, spend and make purchasing decisions. First Independence has been in operation for over 50 years, having opened its doors three years following the massive 1967 rebellion in Detroit. It is the only Black-owned bank in the state of Michigan. It also holds the distinction of being the very first Black-owned bank located in the Twin Cities, recently opening a branch in Minneapolis, Minnesota, with the support of Bank of America, Bremer Bank, Huntington Bank, U.S. Bank and Wells Fargo in the way of capital, infrastructure, research, marketing and other services.

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Solidarity in action

Public-private partnerships are key to driving meaningful, sustainable change. We work alongside partners on the ground to lay the foundation for a more equitable future.



ERICA BOYD
Co-Owner/Executive Chef
Detroit Vegan Soul
One of Mastercard Strivers’ grant recipients

In 2020, we launched a multi-city In Solidarity program, anchored by partnerships in New York, Los Angeles, Atlanta, New Orleans, St. Louis and Birmingham. In these cities, we connected government partners, educational institutions, the local business community and Black entrepreneurs to address systemic bias and unlock growth opportunities. We launched programs focused on improving access to financial services and protecting and growing intergenerational wealth, funding Black-owned businesses and delivered our financial literacy curriculum, Master Your Card, to HBCU and Community College students.

Learn more about Mastercard’s In Solidarity work to close the racial wealth and opportunity gap.



Closing the racial wealth and opportunity gap for **BLACK AMERICANS**



A Black family is likely to **pay 50% more** than a white family for simple banking services. A Black person is **twice as likely** as a white person to be denied a mortgage.

The reality is, we're facing a financial system that has systemically disadvantaged and excluded Black communities, consumers and businesses throughout our country's history.

With that in mind, in 2020, we at Mastercard made an In Solidarity pledge that focused on what we can do to better support growth and opportunity for Black employees within our own company as well as how we can best partner to support Black businesses, communities and households across the country. That includes a \$500 million commitment specifically to help close the racial wealth and opportunity gap, starting in seven cities across the U.S.

There are four areas we're most focused on driving impact:

- Working with Mayors to support inclusive economic growth; including digitizing government payments and aid distributions
- Increasing access to financial services;
- Expanding access to capital and resources for Black-owned businesses and entrepreneurs; and
- Helping black household protect against economic shocks that erode wealth building.

In the two years since we launched, we've deepened established relationships with historically Black colleges and universities (HBCUs), standing up new entrepreneurial and data science programs and creating new talent pipelines. We have doubled our spend with Black suppliers and more than doubled the number of Black-owned businesses in our supplier diversity pool. We launched a new Start Path startup program dedicated to Black early-stage entrepreneurs. We enabled community financial institutions to increase lending and technical assistance to growth Black-owned small businesses and unlock their potential to succeed in the digital economy.

Our investment is designed to have a catalytic impact on economic growth for Black businesses and communities. Mastercard has a unique ability to add demonstrable value and impact through our programs, business network and partnerships to create a holistic approach to financial inclusion. By supporting households, cities and businesses, we can rebuild a system that is inclusive and sustainable for all of us.



SALAH GOSS
Senior Vice President
Center for Inclusive Growth
Mastercard

"Proximity to the communities we want to serve is very important to us. We are partnering with organizations that have the expertise to ensure that Mastercard's assets have the greatest impact on Black communities, entrepreneurs and business."



Millennials are unique in how they bank, spend and make purchasing decisions.



2019, First Independence Bank established a Millennial Advisory Board (recently renamed Next-Gen Board) to focus on understanding the needs of Millennials, developing leadership skills and recognizing results-oriented decision making. The individuals on the board are all leaders who cut across the spectrum of private and public sectors, professionals and entrepreneurs.

“We wanted to give them a chance to become more knowledgeable about banking operations and to provide input,” Kelly says. “We also wanted to create leadership opportunities so that now we’ll have individuals who at some point in time will have this intrinsic training to even become a board member at our bank or at some other institution.”

Similarly, the National Bankers Association is launching a national next-generation advisory council to help gather insights and drive the service and delivery of financial services to this targeted demographic. The task force will comprise individuals from FinTechs, corporate America, advocacy groups, civil rights organizations and Millennial influencers around budgeting, investing and cryptocurrency.

Elam sums up what is at stake for minority banks, stating that “the fight for survival is going to require MDIs to innovate and renovate their technology to be able to scale their services, improve customer access, enhance product capabilities and compete with the technology of both big banks and FinTechs.”

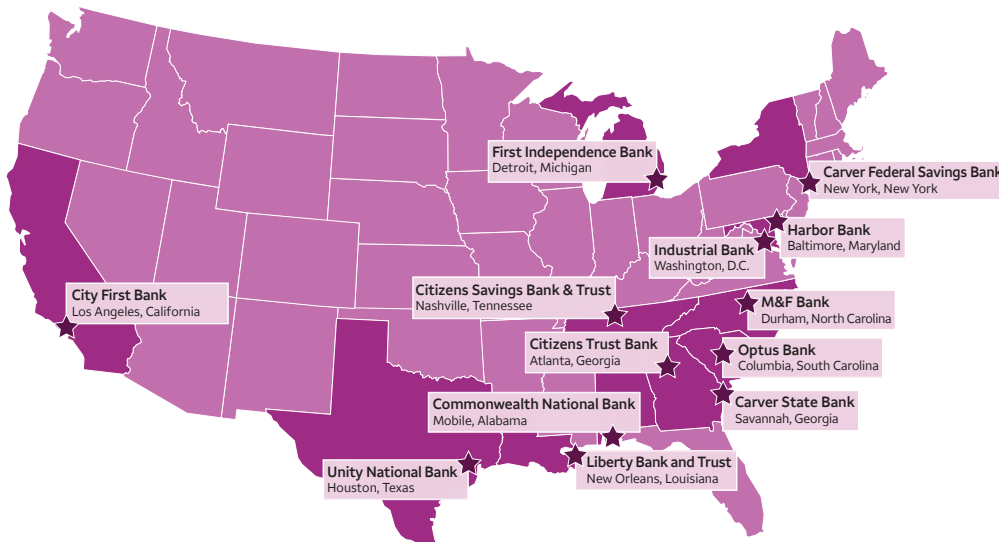
www.nationalbankers.org

Upon reviewing the bank’s customer demographics, Kelly saw an opportunity to educate and empower a younger customer base in a new and inclusive way. In

now we’ll have individuals who at some point in time will have this intrinsic training to even become a board member at our bank or at some other institution.”

Invested \$50 million in Black banks serving communities across the U.S.

WELLS FARGO



In May 2021, we fulfilled our pledge to invest \$50 million in Black banks, represented by equity investments in 13 Minority Depository Institutions (MDIs) across the country.

Our investment further demonstrates our commitment to help MDIs succeed financially and to close the racial wealth gap in the communities we serve.



Thanks to the NBA for 95 years of lifting minority communities

Please join Wells Fargo in congratulating the National Bankers Association on their long-time support of minority-owned banks and the communities they serve.

**WELLS
FARGO**