



Comptroller of the Currency
Administrator of National Banks

Community Affairs
Department

Community Developments

Fact Sheet

Partnerships with Minority- and Women-Owned Financial Institutions and Low-Income Credit Unions

Minority- and women-owned financial institutions and low-income credit unions (MWLI) offer vital financial services and products to minority populations and the communities they serve. Majority-owned institutions often are key partners with MWLI financial institutions.

The Community Reinvestment Act (CRA) recognizes the importance of encouraging the growth and strengthening of MWLI financial institutions. The CRA was amended in 1991 to provide favorable consideration to any institution donating, selling on favorable terms, or making available rent-free to a minority- or women-owned financial institution any branch located in a predominantly minority neighborhood.¹ In 1992, the CRA was amended again to specifically authorize CRA consideration of capital investment, loan participation, and other ventures undertaken in cooperation with MWLI financial institutions when evaluating a bank's CRA performance—provided that these activities help meet the credit needs of the local communities in which such institutions and credit unions are chartered.²

These amendments have helped to increase the support from and relationships between majority-owned national banks and MWLI financial institutions.

CRA Consideration

For a bank that is evaluated as a large bank, qualifying activities would be considered under the lending, investment, or service tests. For an intermediate small bank, community development loans, qualified investments, and community development services would be considered under the community development test. Banks evaluated under the small bank test are subject to a lending test only, but management has the option to request consideration for qualified investments or services, including community development services. Such activity, though, could only be used to enhance an overall “satisfactory” rating.

The CRA regulation generally provides that an institution's CRA activities are evaluated for the extent to which they benefit the institution's assessment area(s) or a broader statewide or regional area that includes the institution's assessment area(s). However, a broader geographic criterion applies when evaluating capital investments, loan participations, and other ventures undertaken by a national bank in cooperation with MWLI financial institutions.

Loans, investments, or services provided in cooperation with MWLI financial institutions are favorably considered in the CRA performance evaluation of a majority-owned national bank even if the MWLI financial institution is not located in, or such activities do not benefit, the assessment area(s) of the majority-owned bank or the broader statewide or regional area that includes its assessment area(s).

¹ 12 USC 2907(a).

² 12 USC 2903(b).

The activities must, however, help meet the credit needs of the local communities in which the MWLI financial institution is chartered. The impact on the majority-owned bank's CRA rating of its activities in cooperation with a MWLI financial institution will be determined in conjunction with the majority-owned bank's overall performance in its assessment area(s).³

Community Development Loans

The definition of community development loans includes loans to financial intermediaries, including MWLI financial institutions that primarily lend or facilitate lending to promote community development.⁴ National banks may receive CRA consideration for loans made directly to the MWLI or by purchasing a participation in a larger loan made by the MWLI financial institution.

Majority-owned banks and MWLI financial institutions can establish two-way correspondent relationships in their lending businesses. Loan participations can allow MWLI financial institutions to originate larger loans if other banks agree to purchase participations in these loan transactions.

Qualified Investments

Qualified investments may be made in a MWLI financial institution. Specific examples of qualified investments include, but are not limited to, investments, grants, deposits, or shares.⁵ Purchasing stock or making deposits in MWLI financial institutions can help them grow by providing additional funding and capital.

In addition, the CRA specifically states that donating, selling on favorable terms, or making available on a rent-free basis a branch of the majority bank that is located in a predominantly minority neighborhood to a MWLI financial institution would also be

³ See Questions and Answers Regarding Community Reinvestment, (2009 Interagency CRA Questions and Answers), 74 Fed. Reg. 498, January 6, 2009, Q&A__12(g)-4.

⁴ Ibid., Q&A__12(h)-1.

⁵ Ibid., Q&A__12(t)-4.

considered as a qualified investment.⁶ Providing financial support to enable a MWLI financial institution to partner with schools or universities to offer financial literacy education to members of its local community could also receive positive consideration under the CRA investment test.⁷

Community Development Services

The 2009 Interagency CRA Questions and Answers recognize the importance of technical assistance to MWLI financial institutions. Banks that provide technical assistance to MWLI financial institutions may receive favorable CRA consideration. The following examples of technical assistance to MWLI financial institutions include:

- Loaning an officer or providing other technical expertise to assist a MWLI financial institution in improving its lending policies and practices.
- Providing free or discounted data-processing systems or office equipment and facilities to aid a MWLI financial institution in serving its customers.⁸
- Helping with marketing financial services, including development of advertising or promotions, publications, or workshops.
- Furnishing other financial services training for staff and management.
- Contributing accounting or bookkeeping services.⁹

A national bank can also partner with a MWLI financial institution to provide community development services such as “credit counseling, home buyer and home maintenance counseling, financial planning or other financial services education to promote community development.”¹⁰

Public Welfare Investments

National banks may invest in MWLI financial institutions pursuant to the public welfare

⁶ 12 USC 2907(a), 12 CFR § 25.23(d).

⁷ See 2009 Interagency CRA Questions and Answers, Q&A__12(g)-4.

⁸ Ibid.

⁹ Ibid., Q&A __12(i)-3.

¹⁰ Ibid.

investment authority under 12 USC 24(Eleventh) and 12 CFR Part 24 (“Part 24”).

Part 24 public welfare investments must be designed primarily to benefit low- and moderate-income individuals, low- and moderate-income areas, or other areas targeted by a government entity for redevelopment, or the investment would receive consideration under 12 CFR 25.23 (CRA) as a “qualified investment.” In addition, the investment must not expose the bank to unlimited liability.

What Is the Advantage of Partnerships with MWLI Financial Institutions?

In addition to positive CRA consideration, majority-owned banks see other safety and soundness advantages in providing resources and support to MWLI financial institutions. Working together on loan transactions, MWLI financial institutions and majority-owned banks share costs, expertise, and risks.

Furthermore, the results of multifaceted, focused efforts brought about by these partnerships are more visible within the community and can promote economic expansion and bring additional capital into the neighborhood.

The OCC maintains a list of minority- and women-owned national banks that can be viewed at the External Outreach and Minority Affairs Web page on its public Web site at www.occ.gov/minority.htm.

A Federal Deposit Insurance Corporation (FDIC) listing of all minority- and women-owned banks it regulates is available at www.fdic.gov/regulations/resources/minority/minority1q2009.html.

Resources

The OCC’s District Community Affairs Officers (DCAO) are available to answer questions about joint initiatives and the CRA aspects of partnerships between majority banks and MWLI financial institutions. A listing of Community Affairs and DCAO contacts can be found at www.occ.treas.gov/cdd/contacts.htm.

OCC Web Resources and Publications

Policy Statement on Minority-Owned National Banks

www.occ.gov/cdd/moi_policy.pdf

External Outreach and Minority Affairs Web site

www.occ.gov/minority.htm

CRA Information

www.occ.treas.gov/crainfo.htm

Part 24 Public Welfare Investments Q&A

www.occ.gov/cdd/commonpart24.htm#MWOB

Community Development Financial Institution and Community Development Bank Resource Directory

www.occ.treas.gov/cdd/cdresourcedir.htm

Community Developments, “Minority-Owned Banks: Making a Difference in Their Communities,” winter 2006/2007 issue focuses on minority-owned institutions, the strategies they employ to serve their markets, and how majority-owned institutions can partner with minority-owned banks

www.occ.treas.gov/cdd/winter06/cd/index.html

Native American Banking Resource Directory

www.occ.gov/cdd/Nativeam.htm

“A Guide to Tribal Ownership of a National Bank”

www.occ.treas.gov/corpbook/tribal/tribalp.pdf

Other Resources

Minority Bank Deposit Program

www.fms.treas.gov/mbdp/index.html