



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 specifically authorizes 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.¹

CRA Consideration

For a bank or savings association that is evaluated as a large bank, qualifying activities would be considered under the lending, investment, or service tests. For an intermediate small bank or savings association, community development loans, qualified investments, and community development services would be considered under the community development test. Banks or savings association 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 bank or savings association 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 bank or savings association 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 savings association the broader statewide or regional area that includes its assessment area(s).²

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 institution's activities in cooperation with an MWLI financial institution on the majority-owned institution's CRA rating will be determined in conjunction

¹ 12 USC 2903(b).

² 12 CFR Section 25.21(f).

with its 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 Banks and savings associations 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, savings associations, 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 an MWLI financial institution. Specific examples of qualified investments include, but are not limited to, investments, grants, deposits, or shares to an MWLI.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 an MWLI financial institution would also be considered as a qualified investment.⁶ Providing financial support to enable an MWLI financial institution to partner with schools or universities to offer financial literacy

³ See Questions and Answers Regarding Community Reinvestment, (2010 Interagency CRA Questions and Answers), 75 Fed. Reg. 11642, March 11, 2010, Q&A__12(g)—4.

⁴ Ibid., Q&A__12(h)—1.

⁵ Ibid., Q&A__12(t)—4.

⁶ 12 USC 2907(a), 12 CFR Section 25.23(d).

education to members of its local community could also receive positive consideration under the CRA investment test.⁷

Community Development Services

The 2010 Interagency CRA Questions and Answers recognize the importance of technical assistance to MWLI financial institutions. Banks and savings associations 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 an MWLI financial institution in improving its lending policies and practices.
- Providing free or discounted data-processing systems or office equipment and facilities to aid an MWLI financial institution in serving its customers.⁸
- Helping with marketing financial services, including development of advertising or promotions, publications, or workshops.
- Furnishing financial services training for staff and management.
- Contributing accounting or bookkeeping services.⁹

A bank or savings association can also partner with an 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 and affordable housing, including credit counseling to assist low- or moderate-income borrowers in avoiding foreclosure on their homes.”¹⁰

⁷ See 2010 Interagency CRA Questions and Answers, Q&A__12(g)—4.

⁸ Ibid.

⁹ Ibid., Q&A __12(i)—3.

¹⁰ Ibid.

Public Welfare Investments

National banks may invest in MWLI financial institutions pursuant to the public welfare investment authority under 12 USC 24(Eleventh) and 12 CFR 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.” Also, the investment must not expose the bank to unlimited liability.

Pursuant to 12 CFR 160.36 and 12 CFR 159.4 (h), Federal Savings Associations (FSAs) may make investments of the type permitted for a national bank under 12 CFR Part 24.

What Is the Advantage of Partnerships with MWLI Financial Institutions?

In addition to positive CRA consideration, national banks and FSAs 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 national banks and FSAs 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.

A Federal Deposit Insurance Corporation (FDIC) listing of all [minority- and women-owned banks](#) it regulates.

Resources

The OCC’s [District Community Affairs Officers \(DCAO\)](#) are available to answer questions about joint initiatives and the CRA aspects of partnerships between national banks, FSAs, and MWLI financial institutions.

OCC Web Resources and Publications

[Policy Statement on Minority-Owned National Banks](#)

[External Outreach and Minority Affairs](#)

[CRA Information](#)

[Public Welfare Investments Q&A](#)

[Community Development Financial Institution and Community Development Bank Resource Directory](#)

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

[Native American Banking Resource Directory](#)

[“A Guide to Tribal Ownership of a National Bank”](#)

Other Resources

[Minority Bank Deposit Program](#)