



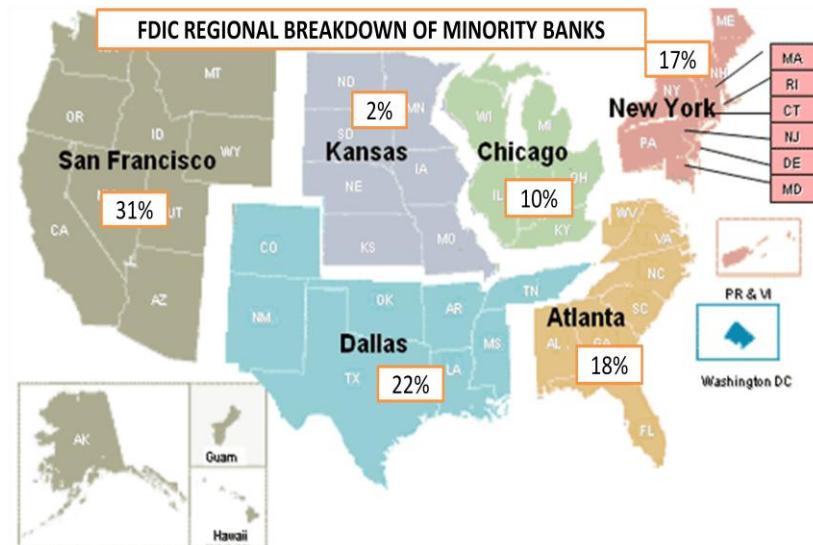
INDEPENDENT COMMUNITY
BANKERS of AMERICA

A Guide to Minority Banks

The Federal Deposit Insurance Corp. (FDIC) defines a Minority Bank as *“any depository institution where 51 percent or more of the voting stock is owned by one or more minority individuals. Minority refers to any Black American, Asian American, Hispanic American, or Native American. In addition, a financial institution will be considered a Minority Bank if the majority of the Board of Directors is minority and the communities they serve are predominately minority.”*

A LEAGUE OF THEIR OWN

Historically, the financial needs of minority communities were often ignored. Loan requests were frequently denied or approved with much higher interest rates and collateral requirements. Motivated by these discriminatory practices, Minority Banks formed to empower minorities and low-to-moderate income communities by providing them with credit, capital and financial services.



Source: FDIC, May 2012

Minority Banks play a crucial role to many minority communities and small businesses, often serving as the only option for their customers. The diversity of their traditional customer bases and the various cultures and languages represented, requires a special skill set and understanding of cultural practices beyond typical American businesses reaching out to a cross-section of Americans.

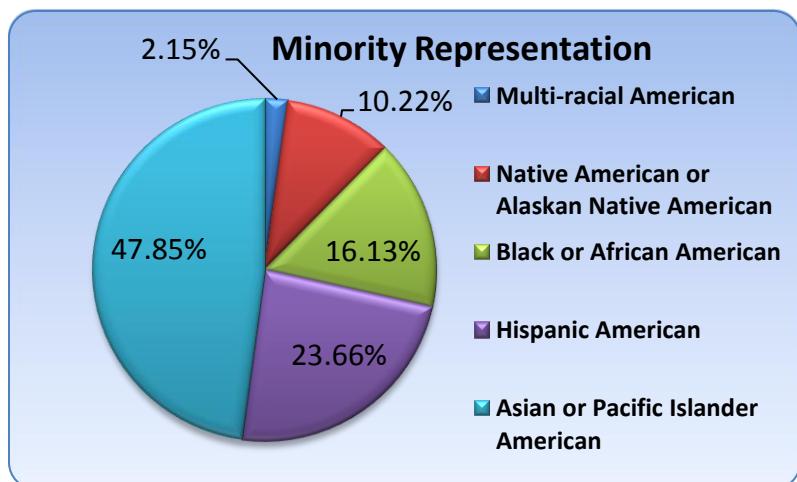
We have a diverse market that includes most of the South and Central American countries. They have one thing in common—the pursuit of the American Dream.”

**—Guillermo Diaz-Rousselot,
Continental National Bank of Miami**

Minority Bank shareholders, directors, officers and staff know and understand the culture of the communities they serve, allowing them to customize culturally-sensitive products and services and customer service. They are able to address issues of trust, language barriers, and customs.

MARKET DYNAMICS

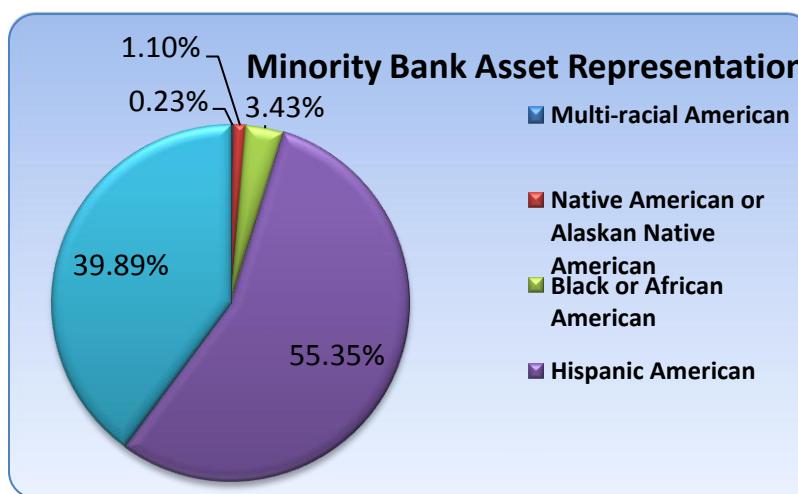
Presently there are 184 FDIC-recognized Minority Banks serving low-to-moderate income and minority communities in urban, rural and suburban areas nationwide. Minority Banks range in assets from \$8.4 million to \$21 billion, with total



assets of \$182.1 billion. Asian-American banks lead the number of Minority Banks, followed by Hispanic-American, African-American and Native-American institutions. Nearly half of these banks are ICBA members.

Source: FDIC, May 2011

Today, Minority Banks are still working hard to build strong communities in neighborhoods historically underserved and economically distressed. They finance small businesses to create jobs, make housing affordable, revitalize community facilities, and provide financial literacy and technical assistance to their customers. Serving as catalysts for economic growth and revitalization the impact that these mission-driven financial institutions have on the U.S. economy is intangible.



Source: FDIC, May 2011

businesses and in need of capital to expand and continue lending. The high cost of operating in communities where education and per capita income is disproportionate to loan demand further compounds their ability to survive and attract customers that meet the regulatory agencies' lending guidelines. Minority banks also face the challenge of recruiting and retaining qualified employees, problems exacerbated by the exodus of many recent graduates lured away by better jobs and opportunities.

NUMBERS TELL THE STORY

Despite the Financial Institutions Reform Recovery and Enforcement Act of 1989 provisions to help minority institutions grow and retain their distinct characteristics, the overall number of Minority Banks has steadily decreased in recent years. It's often forgotten that Minority Banks themselves are small

ICBA Minority Bank Council

The ICBA Minority Bank Council was formed to recognize the unique characteristics of Minority Banks, address their specific challenges, and identify opportunities through ICBA advocacy and education solutions that will allow them and the communities they serve to thrive and profit.

Twelve multi-cultural minority financial institutions from across the nation were selected to serve on the Council. These institutions operate in underserved rural, urban and suburban communities.

There are two Hispanic-American bankers, four African-American bankers, three Native-American bankers and three Asian-American bankers.

We are the only bank in one town and there are no other lenders. We make small unsecured loans to customers that not cover the processing cost. It is a community service we feel like we must have available.

--Barry Anderson, Farmers & Merchants Bank

THE COUNCIL'S GOALS

- **Maintain a constructive dialogue** with policymakers in support of Minority-Bank friendly practices and policies.
- **Effectively communicate** the unique needs and value of Minority Banks and the distinguished role they play in financing Americans.
- **Determine appropriate services**—education, products and services in support of Minority Banks and their priorities.
- **Identify and pursue** public and private sources of capital for Minority Banks to ensure their continued survival.

HIGHLIGHTS

Since its formation, the Minority Bank Council has engaged in high-level talks with policymakers, part and parcel of which resulted in a provision in the Small Business Lending Fund Act calling for special consideration for Minority Banks. The Council's input was also instrumental in the development of ICBA's Minority Bank Resource Center, a source of minority-bank specific information. The ICBA Minority Bank Council is committed to working with policymakers to create opportunities for the continued success of Minority Banks.

CURRENT TOP ISSUES

The preservation and promotion of Minority Banks should be a top public policy objective, as they serve communities that many traditional banks cannot reach.

The innovation and creativity used by Minority Banks to continue providing financial services in their neighborhoods despite the constraints of their markets should be recognized and supported by federal regulators.

The Minority Bank perspective is needed as federal policymakers pursue various small business initiatives. Below is a list of some of the current top issues the ICBA Minority Bank Council is working to address.

Oftentimes we must work longer with clients to remediate a situation which may be outside traditional banking guidelines. So every day we balance risk and opportunity as we work to shift the economic landscape in our communities.

-- Evelyn Smalls, United Bank of Philadelphia

MINORITY BANK POLICY PRIORITIES

Harsh Examination Environment — Examiners need to take into consideration the special circumstances Minority Banks face by operating in low-income, underserved and unbanked markets.

Relevant Peer Data — A comparison of Minority Banks to other Minority Banks is a more accurate performance benchmark than a comparison to similar banks in their local region.

Capital Infusion — Minority Banks need federal assistance in acquiring capital to continue their missions.

Unified Minority Bank Definition — The federal banking agencies should adopt a common definition for Minority Banks to facilitate coordinated and uniform policies and supervision.

Interagency Focus on Minority Banks — A single Minority Bank Advisory Group is needed to provide input on relevant matters to a coordinated federal banking agency work group under the umbrella of the Federal Financial Institutions Examination Council to ensure uniform and consistent policies and supervision.

Small Business Administration (SBA) Programs — The small businesses served by Minority Banks would benefit from SBA lending programs tailored to their unique needs.

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In our 10-year history we have been this SBA District's largest producer of SBA loans. During this recession, we have been able to save both businesses and jobs that were otherwise going to be lost.

--Lester Leonidas Parker, United Bank of El Paso del Norte

For additional insights into the Minority Bank marketplace, please contact our Council members or Kianga Lee at kianga.lee@icba.org or (202)659-8111.