Sustaining Minority Depository Institutions

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National Credit Union Administration
Objectives

• Definition of an MDI
• Value of an MDI
• Current state of MDIs
• Dodd-Frank Mandate
• Challenges
• MDI Initiatives
• What can you do?
WHAT IS A MINORITY DEPOSITORY INSTITUTION?

Definition of an MDI
Minority Depository Institution

Definition of Minority

- African American
- Hispanic American
- Asian American
- Native American
Minority Depository Institution

Definition of MDI (CU Profile)

- More than 50 percent of the board of directors are minorities
- More than 50 percent of current and potential members are minorities
Value of MDIs

MDIs Fill a Critical Need in Underserved Communities
Value of MDIs
Minority Depository Institutions

603 MDIs

4,264,648 members

32,529,333,936 Total Shares

10% of all FICUs

$38,170,260,113 Total Assets

2016
WHAT IS THE CURRENT STATE OF MINORITY DEPOSITORY INSTITUTIONS?
Comparison of MDIs by Groups

<table>
<thead>
<tr>
<th></th>
<th>June 2015 Credit Unions</th>
<th>June 2016 Credit Unions</th>
<th>Percent MDIs</th>
<th>Total Members</th>
<th>Total Shares</th>
<th>Total Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black American</td>
<td>323</td>
<td>301</td>
<td>50%</td>
<td>824,542</td>
<td>$4,902,970,766</td>
<td>$5,857,060,192</td>
</tr>
<tr>
<td>Hispanic American</td>
<td>115</td>
<td>113</td>
<td>19%</td>
<td>1,551,375</td>
<td>$12,269,011,596</td>
<td>$14,319,559,314</td>
</tr>
<tr>
<td>Asian American</td>
<td>56</td>
<td>54</td>
<td>9%</td>
<td>309,009</td>
<td>$3,629,594,732</td>
<td>$4,184,129,988</td>
</tr>
<tr>
<td>Native American</td>
<td>14</td>
<td>14</td>
<td>2%</td>
<td>37,056</td>
<td>$150,915,739</td>
<td>$184,957,595</td>
</tr>
<tr>
<td>Multi-Cultural</td>
<td>143</td>
<td>121</td>
<td>20%</td>
<td>1,542,666</td>
<td>$11,705,351,293</td>
<td>$13,763,733,022</td>
</tr>
<tr>
<td><strong>Total MDIs</strong></td>
<td><strong>651</strong></td>
<td><strong>603</strong></td>
<td><strong>100%</strong></td>
<td><strong>4,264,648</strong></td>
<td><strong>$32,529,333,936</strong></td>
<td><strong>$38,170,260,113</strong></td>
</tr>
<tr>
<td><strong>Total Federally Insured Credit Unions</strong></td>
<td><strong>6,159</strong></td>
<td><strong>5,887</strong></td>
<td><strong>104,853,266</strong></td>
<td><strong>$1,051,122,970,277</strong></td>
<td><strong>$1,254,610,863,250</strong></td>
<td></td>
</tr>
</tbody>
</table>

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[1] Asian Americans include Native Hawaiian and Other Pacific Islanders.
[2] Multi-Cultural is two or more racial backgrounds at the same minority depository institution, such as Black Americans and Hispanic Americans.
CU vs. Bank MDIs

603 MDI FICUs
$38 Billion

162 MDI Banks
$199 Billion
Dodd-Frank Mandate

NCUA MDI PRESERVATION PROGRAM
Section 367 of Dodd Frank

July 21, 2010
NCUA Preservation Goals

• To preserve the present number of MDIs
• To preserve the minority character of MDIs that are involuntarily merged or are acquired following the preference guidelines
• To provide technical assistance to prevent insolvency of MDIs that are not now insolvent
• To promote and encourage the creation of new MDIs
• To provide training, technical assistance, and educational programs
Challenges

CHALLENGES IN SUSTAINING MDIs
## MDI Trends

<table>
<thead>
<tr>
<th>Year (as of 6/30)</th>
<th>Number of MDIs</th>
<th>Percent Decrease***</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>805</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>688*</td>
<td>15%</td>
</tr>
<tr>
<td>2015</td>
<td>651**</td>
<td>5%</td>
</tr>
<tr>
<td>2016</td>
<td>603</td>
<td>7%</td>
</tr>
</tbody>
</table>

* Definition formula changed by computing 50% membership and 50% senior management separately.

** Definition changed from 50% of senior management to 50% of board.

*** This rate of decline was higher than the 4% closure rate of FICUs.
# MDI Trends

<table>
<thead>
<tr>
<th>Status</th>
<th>Number of MDIs July 2015 – June 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total MDIs as of June 30, 2015</td>
<td>651</td>
</tr>
<tr>
<td>Merged</td>
<td>25</td>
</tr>
<tr>
<td>Liquidated</td>
<td>5</td>
</tr>
<tr>
<td>Purchase and Assumption</td>
<td>3</td>
</tr>
<tr>
<td>MDI Status Change</td>
<td>36</td>
</tr>
<tr>
<td>Additional MDIs listed</td>
<td>21</td>
</tr>
<tr>
<td>Total MDIs as of July 30, 2016</td>
<td>603</td>
</tr>
</tbody>
</table>
## MDIs vs FICUs under $100 million

<table>
<thead>
<tr>
<th>CU Type</th>
<th>Number of Closures</th>
<th>Percentage of Total Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>MDI</td>
<td>33</td>
<td>5.1%</td>
</tr>
<tr>
<td>FICU</td>
<td>261</td>
<td>4.2%</td>
</tr>
</tbody>
</table>
MDI Mergers and Liquidations

- MDIs into MDIs: 15%
- MDIs into Non-MDIs: 70%
- MDIs into Liquidations: 15%
What’s the true goal?
MDI vs. Non-MDI as Merger Partner
MDI Initiatives

WHAT CAN YOU DO?
NCUA MDI Preservation Initiatives

- Proactively identifying MDIs that need help
- Assisting MDIs in resolving exam concerns
- Identifying resources to support MDIs in need of assistance
- Assisting in identifying MDIs for mentor program
- Encouraging MDIs to join the merger registry
- Educating MDIs on developing winning merger proposals
- Finalizing proposed merger preference procedures
- Including all stakeholders in merger discussions
What you can do?

Mentor an MDI

NCUA Merger Registry
What you can do as an MDI?

Millennials

Technology

- Transfer Funds
- Schedule Payments
- Pay Bills
- Receive Alerts
- Check Multiple Accounts
- Schedule Transfers
- 24/7 Access
- Check Balances
- Schedule Transfers
What you can do as an MDI?

Succession Planning

Expand Services
Office of Small Credit Union Initiatives