

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

National banks and federal savings associations (collectively, banks) may realize business and regulatory benefits from partnerships with minority- and women-owned financial institutions and low-income credit unions¹ (MWLI financial institutions).

This *Community Developments Fact Sheet* describes some of the ways that banks—both majority-owned² and minority- or women-owned—can partner with MWLI financial institutions. Also discussed is how banks may receive Community Reinvestment Act (CRA) consideration for their partnership activities.

What Are the Benefits of Partnering With MWLI Financial Institutions?

Banks can partner with MWLI financial institutions for strategic business purposes, including the ability to

- serve bank customers that neither institution could serve alone.
- jointly develop new products and services.
- share back-office operations and specialized expertise to reduce operating and compliance costs.

- jointly purchase goods and services at reduced costs.

CRA Consideration

Banks may be eligible for CRA consideration when partnering with MWLI financial institutions.

Statutory Consideration for Majority-Owned Institutions Partnering With MWLI Financial Institutions

The CRA specifically recognizes the importance of encouraging the growth and strengthening of MWLI financial institutions and includes specific statutory bases for consideration of activities designed to accomplish those aims.

Capital investments, loan participations, and other ventures undertaken by majority-owned institutions in cooperation with MWLI financial institutions may receive consideration when evaluating the majority-owned institutions' CRA performance, even if the MWLI financial institutions are not located in, or such activities do not benefit, the majority-owned institutions' assessment areas or the broader statewide or regional

¹ 12 USC 2907(b)

² In this fact sheet, the term “majority-owned institution” has the same meaning as the term

“majority-owned institution” under 12 USC 2903(b), which uses that term to refer to a “nonminority-owned and nonwomen-owned financial institution.”

area that includes their assessment areas.³ Under this statutory provision, the activities must help meet the credit needs of the local communities in which the MWLI financial institutions are chartered.⁴

Examples of activities that would receive consideration under this statutory provision are

- making a deposit or capital investment.
- purchasing or selling a participation in a loan.
- loaning an officer or providing other technical expertise to help an MWLI financial institution improve its lending policies and practices.
- establishing a program to make or receive referrals of loan applications.
- providing financial support to enable an MWLI financial institution to partner with schools or universities to offer financial literacy education to members of its local community.
- providing free or discounted data-processing systems or office facilities to help an MWLI financial institution serve its customers.⁵

Further, the CRA specifically provides that the Office of the Comptroller of the Currency (OCC) can consider in a bank's CRA evaluation the amount of a contribution, or loss incurred, by any bank that donates, sells on favorable terms, or makes available on a rent-free basis to any minority- or women-owned institution one of its branches located in a predominantly

³ 12 USC 2903(b) and 12 CFR 25.21(f) and 195.21(f).

⁴ Ibid.

⁵ "Community Reinvestment Act; Interagency Questions and Answers Regarding Community Reinvestment," ([Questions and Answers](#)), 81 Fed.

minority neighborhood.⁶

Regulatory Consideration of Community Development Activities Conducted in Cooperation With MWLI Financial Institutions

In addition to the specific statutory consideration for activities with MWLI financial institutions previously described, any bank, including MWLI financial institutions, may receive consideration for community development activities conducted in cooperation with MWLI financial institutions under the CRA regulations.

Community development activities include loans, investments, and services that have a primary purpose of "community development," as that term is defined in the CRA regulations. Generally, "community development" means (1) affordable housing for low- or moderate-income (LMI) individuals; (2) community services targeted to LMI individuals; (3) activities that promote economic development by financing eligible small businesses and small farms; (4) activities that revitalize or stabilize an LMI geography, designated disaster area, or distressed or underserved non-metropolitan middle-income area; or (5) activities that support, enable, or facilitate projects or activities meeting specified requirements in Neighborhood Stabilization Program target areas.⁷

A bank may receive CRA consideration

Reg. 48506, 48535-36, Q&A__21(f)-1 (July 25, 2016).

⁶ 12 USC 2907(a) and 12 CFR 25.23(d) and 195.23(d).

⁷ 12 CFR 25.12(g) and 195.12(g).

under the CRA regulations for community development activities that do not meet the statutory considerations for majority-owned institutions, described previously, if these activities benefit the bank’s assessment area(s) or a broader statewide or regional area that includes the bank’s assessment area(s). The regulatory provisions would apply to consideration of community development investments in, loans to, or services provided by one MWLI financial institution to another MWLI financial institution. They would also apply to community development investments in, loans to, or services provided by a majority-owned institution to a MWLI financial institution when the community development activity helps to meet the credit needs in communities other than the one in which the MWLI financial institution is chartered.

Community Development Lending

Banks may receive CRA consideration for loans made directly to an MWLI financial institution that primarily lends or facilitates lending to promote community development.⁸

Banks may also receive CRA consideration by purchasing a participation in a larger community development loan made by an MWLI financial institution. Loan participations can allow MWLI financial institutions to originate larger loans because other banks agree to purchase participations in these loan transactions.

⁸ See [Questions and Answers](#), 81 Fed. Reg. 48528-29, Q&A __.12(h) – 1.

⁹ See [Questions and Answers](#), 81 Fed. Reg. 48532-33, Q&A __.12(t) – 4. Any investment by a bank

Investments in MWLI Financial Institutions

Banks may receive consideration for “qualified investments” in an MWLI financial institution that has a primary purpose of community development. Qualified investments may include making investments or holding shares in, or making grants or deposits available to, an MWLI financial institution that primarily lends or facilitates lending in LMI areas or to LMI individuals.⁹

Banks also may provide grants that allow MWLI financial institutions to undertake community development activities, such as financial counseling or financial literacy training targeted to LMI individuals.

Community Development Services Provided to MWLI Financial Institutions

Banks may receive CRA consideration if they provide technical assistance or other community development services to MWLI financial institutions that have a primary purpose of community development.

Examples of community development services include the following:

- 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.¹⁰

must comply with all relevant laws related to such investments.

¹⁰ See [Questions and Answers](#), 81 Fed. Reg. 48530-31, Q&A __.12(i) – 3.

A bank also could receive CRA consideration if it donates staff and support to an MWLI financial institution to enable the institution to provide community development services. Such services include “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.”¹¹

Public Welfare Investments

National banks may be able to invest in MWLI financial institutions pursuant to the “public welfare investment” authority under 12 USC 24(Eleventh) and 12 CFR 24 (Part 24). Public welfare investments must be designed primarily to benefit LMI individuals, LMI areas, or other areas targeted by a government entity for redevelopment. An investment may also qualify as a public welfare investment if it would receive CRA consideration under 12 CFR 25.23 as a “qualified investment.” The investment must not expose the bank to unlimited liability.

Federal savings associations (FSA), pursuant to 12 CFR 160.36, may make investments of the type permitted for national banks under 12 CFR 24. Further, under 12 CFR 5.59(f)(8), FSAs may engage in community development activities through a service corporation.

The specific authorities for community development investments are described on

¹¹ Ibid.

¹² See OCC, [“An Opportunity for Community Banks: Working Together Collaboratively”](#) (January 13, 2015). Banks are authorized to establish and invest in

the OCC’s “Public Welfare Investments Resource Directory” web page.

Collaboration With and Among MWLI Financial Institutions

MWLI financial institutions may partner and collaborate directly with each other. Banks may find opportunities to collaborate directly with MWLI financial institutions, or to support such partnerships and other collaborative efforts among and with MWLI financial institutions.

Community banks, including MWLI financial institutions, may collaborate directly with one another by, for example, jointly owning a service organization, through which they collectively can provide or develop products and services.¹²

By collaborating with each other or with other community banks, participants may be able to achieve a variety of benefits, including increasing the ability to acquire and support current technology, conserving capital for other strategic business opportunities, and, more generally, improving quality and reducing costs of products and services.

In addition to the general benefits of collaboration, majority-owned institutions may receive CRA consideration for certain support to MWLI financial institution-created entities. MWLI financial institutions may form a partnership, such as through a lending consortium, or form a community development financial institution (CDFI), a loan fund, or other entity that provides mortgages to members of the MWLI

various subsidiaries and other business entities that can be effectively employed to further collaborative efforts, including operating subsidiaries, bank service companies, and non-controlling investments, subject to restrictions and limitations under applicable law.

financial institutions’ communities. A majority-owned institution that provides a loan to, investment in, or service to, or otherwise supports the MWLI financial institutions in the jointly created MWLI financial institution consortium, CDFI, or loan fund, may be eligible for consideration under the general CRA regulations or the specific MWLI financial institution statutory provision.¹³

Further, if a jointly created MWLI financial institution consortium, CDFI, or loan fund has a primary purpose of community development, any bank—including both MWLI financial institutions and majority-owned institutions—may receive consideration for a community development loan, qualified investment, or community development service that supports the jointly created entity, subject to the geographic restrictions in the CRA regulations.¹⁴

Resources

The OCC maintains a list of minority- and women-owned national banks, which is available under Resources [“Minority Depository Institutions”](#) on occ.gov.

The Federal Deposit Insurance Corporation (FDIC) and the Board of Governors of the Federal Reserve System also maintain listings of minority- and women-owned banks that they regulate.

The OCC’s District Community Affairs Officers are available to answer questions about joint initiatives and the CRA aspects of partnerships between banks and MWLI financial institutions. Other OCC resources

include the following:

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

[“Minority Depository Institutions”](#)

[“Public Welfare Investments Resource Directory”](#)

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

[“Community Developments, Minority-Owned Banks: Making a Difference in Their Communities”](#)

[“Native American Banking Resource Directory”](#)

Other Resources

[FDIC’s “Minority Depository Institutions”](#)

[Federal Reserve’s “Minority Depository Institutions”](#)

[Federal Reserve’s “Partnership for Progress”](#)

Disclaimer

Community Developments Fact Sheets are designed to share information about programs and initiatives of bankers and community development practitioners. These fact sheets differ from OCC bulletins and regulations in that they do not reflect agency policy and should not be considered regulatory or supervisory guidance. Some of the information used in the preparation of this fact sheet was obtained from publicly available sources. These sources are considered reliable, but the use of this information does not constitute an endorsement of its accuracy by the OCC.

¹³ 12 USC 2903(b) and 12 CFR 25.21(f) and 195.21(f).

¹⁴ To receive CRA consideration, these activities must benefit the bank’s assessment area(s) or a

broader statewide or regional area that includes the bank’s assessment area(s). See [Questions and Answers](#), 81 Fed. Reg. 48529-30, Q&As __.12(h) – 6 and __.12(h) – 7.