



Mutual Alert

FDIC Releases MDI Designation Guidelines

On May 19th, the [FDIC released a Financial Institution Letter](#) (FIL) outlining the process for obtaining an MDI designation. Prior to this, regulators outlined the characteristics of an MDI, but not a process for obtaining a designation.

Designation Process

The process for obtaining an MDI designation can apply to an existing institution, or an institution in the organization phase. A given institution must submit a letter to their appropriate regional FDIC office, which includes contact information, the minority category of the institution, and information pertaining to the specific MDI sub-designation.

The two sub-designation categories are ownership based, or board composition based. The ownership designation only applies to stock-issuing institutions. The board composition designation is available to mutuals and requires the board of an institution to be a majority minority, and that the area served by an institution, the Relevant Geographic Market (RGM) has a population that is at least 51% minority. The RGM is constituted of areas where an institution has offices, or where these offices “derive a predominant portion of their loans, deposits, or other business.”

Following review by the FDIC, a letter indicating their decision will be sent to the institution. No review timeline has been outlined in the FIL. If the designation is granted, the FDIC will outline the various MDI specific resources and programs available to the institution.

Key Differences in MDI Definitions

There are several key differences between the [OCC's Policy Statement on MDIs](#), and the FDIC's FIL. It is unclear which definition takes precedent, and if an application which uses the OCC's broader definition will be accepted.

Under the OCC document, released in 2013, the definition refers specifically to mutual institutions, and is broader than the FDIC definition. A mutual institution will be considered an MDI if a majority of the board members and the community served are minorities. Additionally, if women comprise a majority of the board and hold a significant percentage of senior management positions, the institution will be considered an MDI. Additionally, a mutual institution may keep its designation (at the OCC's discretion), if the mutual continues to serve the minority community even if ownership and board composition changes.

Conversely, the FDIC definition of MDI is narrower and does not include women as a minority group. See the below graphic for how the FDIC defines minority groups:

Minority Status		Minority Status by Type	
B	Black or African American	1	Black or African American Owned
H	Hispanic American	2	Hispanic American Owned
A	Asian or Pacific Islander American	3	Asian or Pacific Islander American Owned
N	Native American or Alaskan Native American	4	Native American or Alaskan Native American Owned
M	Multi-Racial American ²	5	Multi-racial American Owned
		6	Majority of the Board is Black or African American, serving a minority community
		7	Majority of the Board is Hispanic American, serving a minority community
		8	Majority of the Board is Asian or Pacific Islander American, serving a minority community
		9	Majority of the Board is Native American or Alaskan Native American, serving a minority community
		10	Majority of the Board is Multi-racial American, serving a minority community

Implications

While the implementation of a process for receiving MDI designation was much needed, the FIL leaves many questions, especially when contrasted with OCC statements on MDIs. Chiefly, the differences between how the OCC and FDIC define minorities create a lack of clarity around which definition will supersede the other. Furthermore, the lack of a timeline for the review phase may lead institutions in the organization stage to face further delays. However, this process may also serve to aid prospective de novos, and other new institutions by gaining access to technical assistance and other funds that can bolster the bank.

Douglas Faucette
America's Mutual Banks
202 220 6961
701 8th Street, N.W.
Suite 500
Washington D. C. 20001
dfaucette@lockelord.com
www.americasmutualbanks.com