



September 30<sup>th</sup>, 2013

Re: National Credit Union Administration Proposed Minority Depository Institution Preservation Program

RIN: 3133-AE16

The Greenlining Institute (Greenlining) thanks the National Credit Union Administration (NCUA) for this opportunity to comment on issues that directly impact communities of color, who were disproportionately devastated by the financial crisis and continue to struggle. We offer their perspectives and support to the NCUA's efforts to preserve and foster the financial autonomy of minority depository institutions.

### **Who We Are**

Greenlining works to bring the American Dream to within reach of all, regardless of one's race or zip code. The Greenlining coalition is comprised of over 40 national and statewide organizations, including more than a dozen community-based organizations. We pursue racial and economic justice with the knowledge that the majority of children born in the United States are non-white. Projections predict that communities of color will make up the majority of our population by 2050. At Greenlining, we believe America will prosper only if communities of color prosper.

Often the target of predatory lending, communities of color face barriers in accessing and obtaining services from reputable financial institutions that understand their unique needs and experiences. It is essential to preserve and strengthen regulated, reputable institutions, such as credit unions, that provide opportunities for communities to manage and grow their wealth. It is also important that the leadership of these institutions reflect the diversity of the communities they serve. The Greenlining Institute applauds NCUA in starting the Minority Depository Institution Preservation Program to ensure that both of these needs are met. The following are our suggestions about how to improve the Program to most effectively support and strengthening credit unions serving communities of color.

### **1) Expanding the Definition of "Eligible Minority Group" to Include those that Identify as Multiracial/Multiethnic**

Currently, one requirement to receive MDI designation is that 51% of the credit union's consumer base must identify as a racial minority. The proposed program relies on FIRREA § 308's definition of a minority as any "Black American, Asian American, Hispanic American, or Native American". While this will encapsulate the majority of people of color in the United States, this fails to include the more than 9



million Americans those that identify as multiethnic/multiracial<sup>1</sup>. In the state of Hawaii, 22% of the population already identifies as multiracial. The Census Bureau predicts that more individuals over time will begin identifying as a member of more than one race. Not including these individuals in the definition of a racial minority could unintentionally prevent particular institutions from meeting the 51% minority threshold needed to qualify as a MDI.

Greenlining proposes expanding the definition of a racial minority to include all members within communities of color, including multiracial/multiethnic individuals.

## **2) Limiting the Definition of Members to Only Include Current Members**

Part of the current requirements of the MDI Program is that 51% or more of the credit union's membership (current or potential) must identify as racial minorities. Including potential members (defined as members living in areas<sup>2</sup> where the population is comprised mostly of minorities) under this definition does not ensure that institutions actually serve and invest in consumers of color within that community. Credit unions should only receive an MDI designation if the majority of their deposits and/or loans are with racial minorities. This requirement would provide an incentive for credit unions to conduct outreach to these intended communities and ensure that the minority character of institutions is actually present.

## **3) Further Explanation of Program's Administration and Mechanics**

The proposed MDI Program indicates that the NCUA's Office of Minority and Women Inclusion (OMWI) will oversee the administration of this initiative. Part of this oversight includes coordinating with NCUA's Office of Small Credit Union Initiatives (OSCUI), which already provides technical support to institutions with assets below \$50 million.

Additional forms of possible support are mentioned as well, but no clear indicators of how these programs will be run, which department within the NCUA will oversee them, and how MDIs can access these benefits are mentioned. An example of this ambiguous language follows:

*"OMWI may aid in collaborating partnerships between MDIs and other organizations as a means of providing technical and/or operational assistance to MDIs. The technical and/or operational assistance may include training for officials and staff, expertise in technical areas, equipment and financial assistance for specific projects/goals, etc. Additionally, OMWI may assist in locating a CU mentor or merger partner for an MDI"*<sup>3</sup>.

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<sup>1</sup> "The Two or More Races Population." 2010 Census Brief, September 2012. Accessed on September 4, 2013 at <http://www.census.gov/prod/cen2010/briefs/c2010br-13.pdf>.

<sup>2</sup> The MDI Proposed Rule defines area as "census tracts, zip codes, townships, boroughs, cities, counties, etc".

<sup>3</sup> Please see page 46376 of the Federal Register/Vol. 78, No. 147/Wednesday, July 31, 2013 at <http://www.gpo.gov/fdsys/pkg/FR-2013-07-31/pdf/2013-18300.pdf>.



Greenlining supports the efforts of the NCUA OMWI to administer the aforementioned programs in addition to the existing ones provided by OSCUI. While most credit unions (67.8%) are eligible to qualify for OSCUI programs because of their asset size, it is important that MDIs receive additional support due to their unique and important roles in communities of color. We urge the OMWI to establish and provide further details on what the mechanics of these programs will look like to ensure the goals of the MDI Preservation Program are actualized. In addition to committing to delivering these programs, the OMWI should also provide details on funding, number of dedicated staff to its implementation, geographic distribution of these programs, and frequency of OMWI staff's interaction with participating MDIs.

## **Conclusion**

Communities of color were among the hardest hit by the financial crisis and mortgage meltdown. In response, elected and regulatory officials created across-the-board economic recovery policies and paid specific attention to areas struggling the most. Among these policies include Section 342 and Section 367 of the Dodd-Frank Wall Street Reform and Consumer Protection Act to specifically promote diversity and inclusion in the financial sector. Respectively, these policies created the Offices of Minority and Women Inclusion and expanded the Minority Depository Institution Preservation Program to the NCUA. Communities of color continue to lag behind white communities in this economic recovery, and only 30.92% of credit union employees identify as racial minorities.<sup>4</sup> It is imperative to create strong, sustainable programs that support and strengthen credit unions in communities of color.

We therefore reiterate our recommendations: 1) expanding the definition of "eligible minority group" to include those that identify as multiracial/multiethnic, 2) limiting the definition of members to only include current members, and 3) further explanation of the program's administration and mechanics.

As the NCUA continues to work on the MDI preservation program, we hope that the agency will consider our suggestions on how best to administer support to MDIs to better serve communities of color. Thank you for this opportunity to address the needs of our constituency.

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<sup>4</sup> "National Credit Union Administration Offices of Minority and Women Inclusion Congressional Report." Accessed on September 1<sup>st</sup>, 2013 at <http://www.ncua.gov/Legal/Documents/Reports/OMWI2012.pdf>.