Office of the Comptroller of the Currency

Community Developments *Investments*

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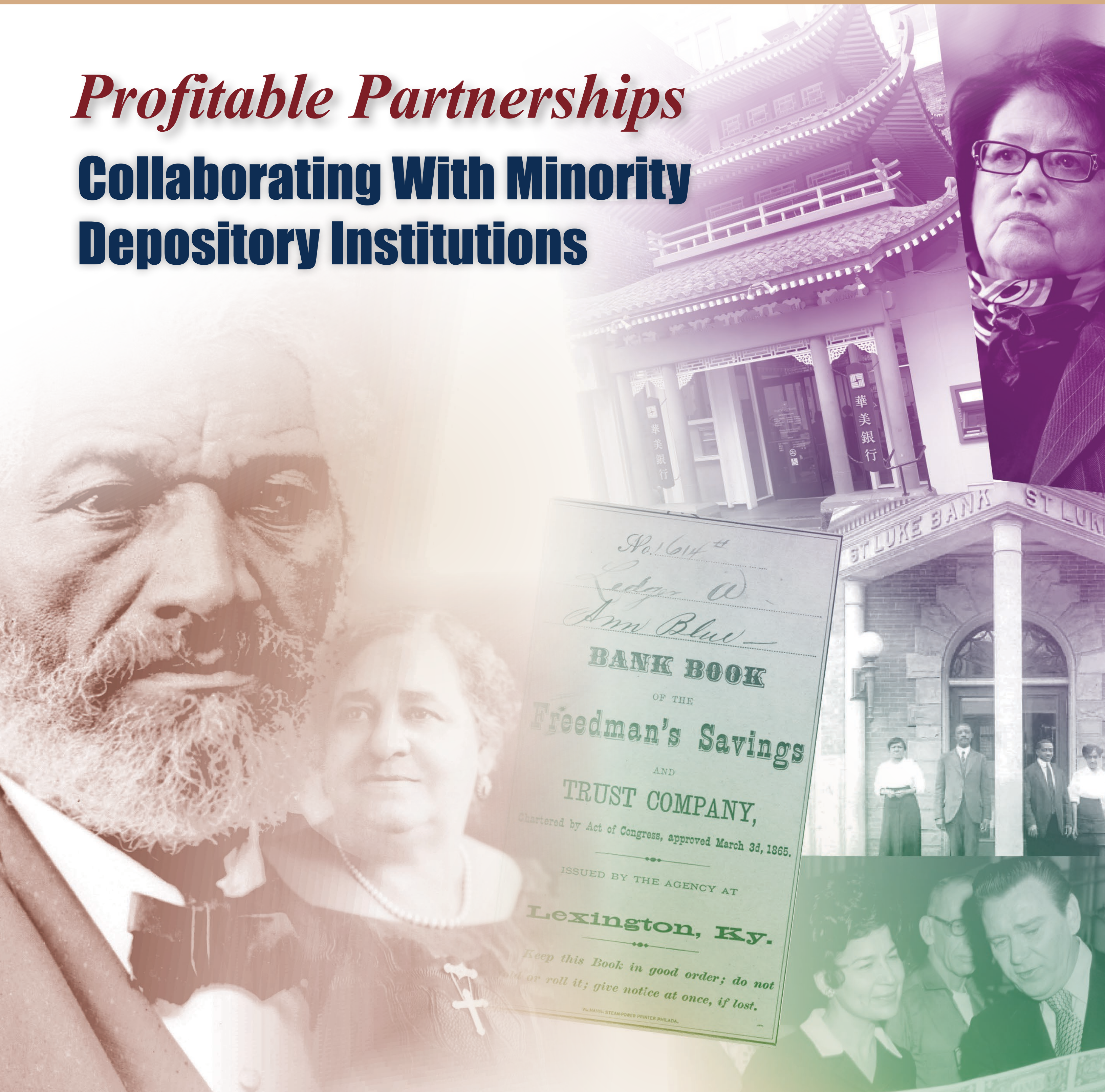
Profitable Partnerships

Collaborating With Minority Depository Institutions



Profitable Partnerships:

Collaborating With Minority Depository Institutions

A Look Inside …

This edition of *Community Developments Investments* reviews how minority depository institution (MDI) collaborations with large and midsize banks can be profitable for the parties involved and help MDIs fulfill their missions and serve customers in a rapidly evolving industry.

Community Reinvestment Act Consideration for Collaborations That Promote Community Development

Banks may receive Community Reinvestment Act (CRA) consideration from partnerships with other financial institutions, including those with minority- and women-owned financial institutions and low-income credit unions.

Catalyzing Impact: NCIF Fosters Bank Partnerships With MDIs

The National Community Investment Fund (NCIF) has invested in mission-oriented banks, including MDIs. To encourage high-impact projects, the NCIF provides metrics and information that banks can use to analyze potential partnerships, projects, and investments.

- Detroit: Liberty Bank and Trust Partners on Gateway Marketplace
- East Baltimore: The Harbor Bank of Maryland and City First Bank Partnership

Citibank: Partnering With Community Banks to Expand Financial Access

The Citi Community Automated Teller Machine (ATM) Network allows customers of Continental Bank and several other community banks to use—without paying out-of-network fees—any of Citibank's 2,400 branch ATMs, including those in Chicago, Los Angeles, Miami, New York, San Francisco, and Washington, D.C.

Texas Capital and Texas National Banks: Collaborating for Mutual Benefit

Texas Capital Bank is collaborating with and providing correspondent banking services to Texas National Bank and other MDIs and community development financial institutions.

Resources

A variety of resources is available to help banks interested in developing mutually beneficial partnerships with MDIs.

On the cover

A Diverse and Entrepreneurial History

Minority depository institutions today are descendants of an entrepreneurial group of community banks founded by minority bankers dedicated to serving their diverse communities. This newsletter's cover honors this rich heritage with images of (clockwise from top right):

Façade of a bank in San Francisco (Alamy); Elouise Cobell, a Native American woman who spearheaded the capital campaign to fund Blackfeet National Bank, predecessor to today's Native American Bank, N.A. (AP Images); St. Luke Penny Savings Bank employees (National Park Service); Romana Acosta Bañuelos, Latina co-founder of Pan American Bank in East Los Angeles, Calif. and U.S. Treasurer (1971-1974), pictured with James A. Conlon, Director, Bureau of Engraving and Printing (1967-1977) (Bureau of the Public Debt); Freedman's Savings and Trust Co. passbook (U.S. Department of the Treasury); Maggie L. Walker, the first African American woman to charter a U.S. bank and founder of St. Luke Penny Savings Bank (National Park Service); Frederick Douglas, the first president of Freedman's Bank, the first black-owned bank (Shutterstock).

A Look Inside …

Barry Wides, Deputy Comptroller for Community Affairs, OCC

The Office of the Comptroller of the Currency (OCC) recognizes the vital role that minority depository institutions (MDI) can play in improving financial outcomes for their customers and promoting the economic viability of minority and lower-income communities. Consistent with its mission of ensuring a safe and sound federal banking system, the OCC is committed to promoting the preservation of robust and healthy MDIs and, in so doing, fulfilling its congressional and regulatory responsibilities.[1]

Preserving MDIs is an important and timely goal for the nation and the OCC, which supervises national banks and federal savings associations (collectively, banks). MDIs represent a small[2] but important part of the federal banking system because they often serve customers in minority, low- and moderate-income (LMI), and underserved communities. In addition, MDIs help to ensure that the nation's vibrant and diverse banking system benefits the financial needs of all customers, businesses, and communities they serve.

This issue of *Community Developments Investments* highlights the OCC's continuing efforts to

Citibank

An ATM partnership between Citibank and Continental National Bank, in Miami, uses Spanish materials to reach Continental's Hispanic customers.

OCC

Bank executives from women- and minority-owned banks gather at a recent meeting at OCC Headquarters.

Community Developments *Investments*

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Questions or comments, please phone (202) 649-6420 or email communityaffairs@occ.treas.gov. This and previous editions are available on the OCC's website at www.occ.gov.

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Articles by non-OCC authors represent the authors' own views and not necessarily the views of the OCC.

1 Section 367 of the Dodd–Frank Wall Street Reform and Consumer Protection Act; OCC, "Policy Statement on Minority National Banks and Federal Savings Associations," June 7, 2013.

2 Less than 3 percent of the depository institutions in the United States are MDIs. Only 30 percent of MDIs operated continuously throughout 2001 to 2013, compared with 57 percent of community banks, according to "Minority Depository Institutions: Structure, Performance, and Social Impact," *FDIC Quarterly,* Volume 8, No. 3, 2014.

support and encourage new and existing MDIs through collaboration roundtables. These roundtable discussions bring together the senior executives of MDIs and those of midsize and large banks. By collaborating with MDIs, the OCC believes, large and midsize banks can help MDIs better serve the credit needs of their communities, while expanding their own business opportunities, fulfilling strategic goals, and potentially receiving Community Reinvestment Act (CRA) consideration. These partnerships can be profitable for the parties involved and help MDIs fulfill their missions and serve customers in a rapidly evolving industry.

In 2015, the OCC issued a paper titled "An Opportunity for Community Banks: Working Together Collaboratively." The paper highlighted the benefits of bank partnerships pooling or sharing resources to reduce costs, achieve economies of scale, and leverage specialized expertise to serve customers and communities, particularly those in minority and LMI communities. The OCC's roundtable discussions, which began in 2016, are continuing, and some of the collaborations that came out of those initial meetings are highlighted in the articles "Citibank: Partnering With Community Banks to Expand Financial Access" and "Texas Capital and Texas National Banks: Collaborating for Mutual Benefit."

Nonprofit organizations have been critical in facilitating collaborations. The National Community Investment Fund (NCIF), a nonprofit private equity trust and impact investor, is dedicated to supporting mission-oriented MDIs and other banks operating in and serving LMI communities. The NCIF's goal is to channel financial products and services to LMI areas, minority communities, and other underserved areas. To encourage high-impact projects, the NCIF provides metrics and information that banks can use to analyze potential partnerships, projects, and CRA-qualified investments. NCIF has also been using the New Markets Tax Credit Program as a way to bring critical resources into low-income communities and strengthen MDIs. The NCIF explains its work in "Catalyzing Impact: NCIF Fosters Bank Partnerships With MDIs."

By highlighting MDI collaborations and resources in this publication, the OCC hopes to encourage similar collaborations. The OCC's District Community Affairs Officers are available to answer technical questions, and the OCC's website (www.occ.gov) has helpful resources. In addition, MDI executives are encouraged to attend the OCC's bank director workshops on risk governance, credit risk, compliance risk, and other important banking issues.

MDIs and midsize and large banks, as well as their customers, benefit from a healthy, diverse federal banking system. After reading this publication, you will better understand the important role that MDIs play in their communities. We hope you also will share the OCC's commitment to ensuring the future viability and preservation of the nation's MDIs.

Community Reinvestment Act Consideration for Collaborations That Promote Community Development

David Black, Community Development Expert, OCC

The Community Reinvestment Act (CRA), passed in 1977, encourages national banks and federal savings associations (collectively, banks) to help meet the credit needs of all segments of their communities, including low- and moderate-income (LMI) neighborhoods. Today, federal financial supervisory agencies, including the OCC, evaluate financial institutions on their performance regarding activities that qualify for consideration under the CRA.

This article reviews ways in which banks may receive CRA consideration from partnerships with other financial institutions, including minority depository institutions (MDI), women-owned financial institutions, and low-income credit unions (MWLI financial institutions).

OCC

The East Baltimore Development Initiative used new markets tax credits, which is an eligible community development activity under the Community Reinvestment Act.

Community Development Activities

All federally regulated financial institutions, regardless of minority ownership designation, may receive CRA consideration for certain community development activities conducted in partnership with other entities, including other Federal Deposit Insurance Corporation-insured financial institutions.

Community development activities include loans, investments, and services that have a primary purpose of "community development," which is defined in the CRA regulations.[3] The definition of "community development" includes affordable housing for LMI individuals, community services targeted to LMI individuals, activities that promote economic development by financing eligible small businesses and farms, and activities that revitalize or stabilize LMI geographies or other geographies designated in the CRA regulations.

A bank may receive CRA consideration for community development activities provided the activities benefit the bank's assessment area(s) or, in most cases, a broader statewide or regional area that includes the bank's assessment area(s).

Examples of partnerships between banks and other entities to promote community development include[4]

- loans made to a financial institution that primarily lends to promote community development.
- purchasing or selling a participation in a larger community development loan made by another financial institution. Loan participations can allow smaller institutions to originate larger loans when other banks agree to purchase participations.

3 12 CFR 25.12(g) and 195.12(g).

4 "Community Reinvestment Act; Interagency Questions and Answers Regarding Community Reinvestment; Guidance," 81 Fed. Reg. 48506 (July 25, 2016).

- investments or holding shares in, or making grants or deposits available to, a financial institution that primarily lends or facilitates lending in LMI areas or to LMI individuals.
- grants that allow a financial institution to undertake community development activities, such as financial counseling to LMI individuals.
- technical assistance, in-kind contributions, or other community development services to a financial institution whose primary purpose is community development.

Sales or Donations of Bank Branches in Predominantly Minority Neighborhoods

Under some circumstances, a sale of a bank branch on favorable terms or a branch donation to a minority- or women-owned depository institution, as these terms are defined in the CRA statute, may receive CRA consideration. The bank branch must be located in a predominantly minority neighborhood.[5] The amount of the contribution or the amount of the loss incurred in connection with such activity may be a factor in determining whether the depository institution is meeting the credit needs of the institution's community.[6]

Partnerships Between Majority-Owned Institutions and MWLIs

CRA consideration is permitted for majority-owned institutions that partner with MWLI financial institutions. The federal financial agencies may provide CRA consideration for capital investments, loan participations, and other ventures undertaken by a majority-owned institution in cooperation with MWLI financial institutions, provided that the activities help meet the credit needs of local communities in which the MWLI financial institutions are chartered. The majority-owned institution may receive consideration for such activities even if the MWLI financial institution is not located in, or the activities do not benefit, the majority-owned institution's assessment area(s) or broader statewide or regional area that includes the institution's assessment area(s).[7]

For more information, contact David Black at david.black@occ.treas.gov.

5 12 USC 2907(a).

6 Ibid.

7 OCC, Community Developments Fact Sheet, "Partnerships With Minority- and Women-Owned Financial Institutions, Low-Income Credit Unions," August 2016.

Catalyzing Impact: NCIF Fosters Bank Partnerships With MDIs

Saurabh Narain, President and Chief Executive Officer, National Community Investment Fund

Minority depository institutions (MDI) play a vital role in the communities they serve by providing access to investment capital, financial products, and services that may not otherwise be available. As community-focused banks, MDIs have a unique understanding of their local markets and needs. MDIs leverage this knowledge to support small businesses, faith-based organizations, community facilities, real estate developments, and community members.

Historically, the first MDIs grew out of the pre-civil rights era providing banking services in underserved areas; later ones were founded to serve immigrant communities. Today, MDIs continue to play significant roles in minority communities in urban and rural areas throughout the United States.

Founded in 1996, the National Community Investment Fund (NCIF) is a nonprofit private equity trust and impact investor dedicated to increasing the flow of responsibly priced financial products and services in low- and moderate income (LMI) communities. The NCIF achieves its mission through three complementary lines of business: investing in mission-oriented financial institutions, most of which are MDIs or certified community development financial institutions (CDFI); using new markets tax credits (NMTC) to invest in high-impact development projects that benefit these communities, in partnership with the mission-oriented institutions; and using research to showcase impact.

The NCIF has invested tier 1 and tier 2 capital directly into MDIs to support the financial services they provide to LMI and minority communities. In all, the NCIF has invested in 58 mission-oriented financial institutions of which 23 were MDIs (current investments are in 14 MDIs). Together with other NCIF investments, these mission-oriented institutions have generated over $7 billion in loans in LMI communities.

Social Performance Metrics

To encourage high-impact projects, the NCIF provides metrics and information that banks can use to analyze potential partnerships, projects, and investments that may qualify them for Community Reinvestment Act (CRA) consideration. The NCIF considers impact as the foundation for all its investing and lending activities. The NCIF measures and demonstrates the social impact of its investments in communities with its unique and proprietary Social Performance Metrics. The NCIF developed its Social Performance Metrics to identify high-impact MDIs and other mission-oriented financial institutions as potential partners for banks with similar missions and goals. The metrics provide a suite of quantitative and qualitative data, including "mission intensity" data (see figure 1).

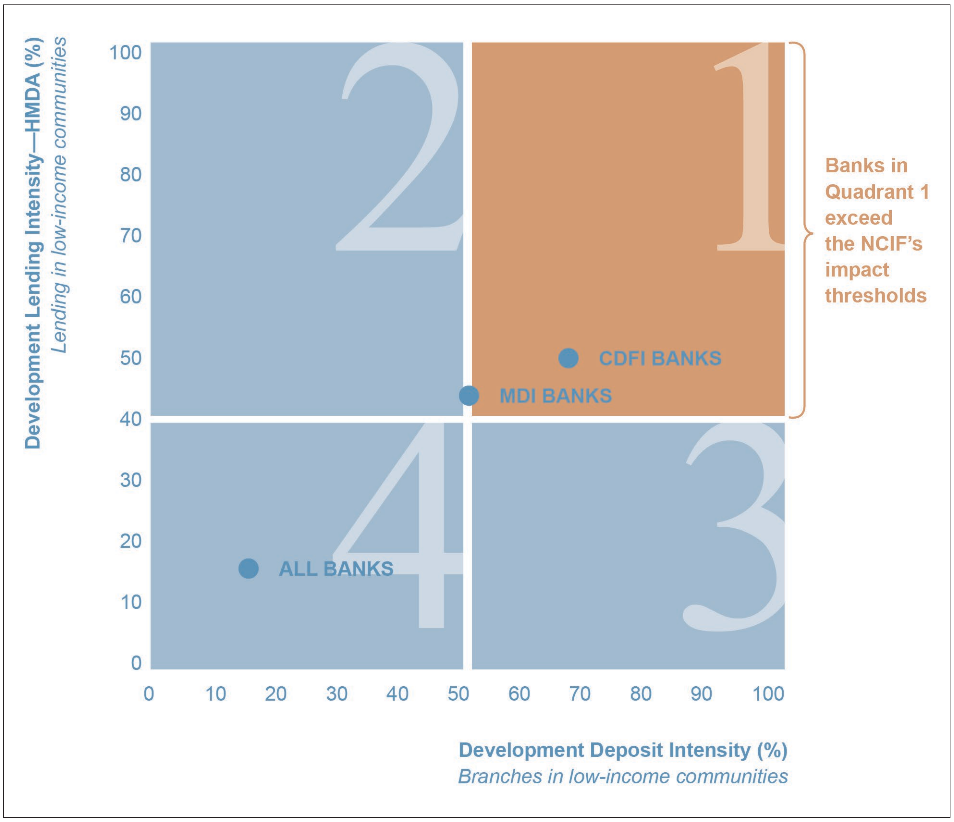
Figure 1: Mission Intensity of NCIF's Portfolio of CDFI Banks and Minority Depository Institutions (2015)

Note: The Mission Intensity Index shows how much of a bank's lending is mission-related. It is the percentage of a bank's total annual lending that supports the bank's mission by 1) being located in a qualified census tract or 2) supporting a specific mission-relevant category. The figure shows the median percentage of 2015 lending by the NCIF's portfolio of CDFI banks and MDIs. The percentages do not add up to 100 because banks do other, non-mission intensity lending. For additional information, please see the NCIF report "Telling the Story: The Impact of the Reporting Banks and the Mission-Oriented Banking Industry."

Some of these metrics are available from the NCIF's search engines, www.BankImpact.org and BankImpact Maps (www.bankimpactmaps.org).

The NCIF develops these metrics using the self-reported data received from banks and from publicly available sources, such as federal Home Mortgage Disclosure Act (HMDA) data. The NCIF analyzes this data to quantify and compare the social impacts of banks by the percentage of HMDA-reported lending and the number of branches in LMI areas and highly distressed U.S. Census tracts. The NCIF then assigns the banks to quadrants to help investors and consumers make informed banking choices (see figure 2). Banks exceeding the NCIF's "impact thresholds" are assigned to the upper-right quadrant and highlighted for potential partnerships. (For detailed information on the NCIF's quadrant rankings, visit www.ncif.org.)

Figure 2: NCIF's Social Performance Metrics Illustrated by Quadrants



Note: The Development Deposit Intensity (x-axis) shows the percentage of a bank's branches located in low-and moderate-income census tracts. The Development Lending Intensity (y-axis) shows the percentage of a bank's mortgage lending volume in low- and moderate-income census tracts.

The social performance metrics of MDI banks clearly show the banks' importance in their communities. As a peer group, MDI banks have a substantial presence in LMI communities, regarding both branch locations and lending. The median MDI bank has 57 percent of its branches in LMI areas, compared with 40 percent for the median bank in the United States. In addition, based on HMDA reporting, MDI banks are much more likely to lend in LMI areas, with 48 percent of MDI lending going to these communities, compared with just 26 percent for the median bank overall.

New Markets Tax Credits

In deploying NMTCs, the NCIF uses its own 3-Way Partnership Model to create relationships between mission-oriented MDIs and larger banks interested in impactful projects in LMI communities. The 3-Way Partnership comprises the following parties (see figure 3 for more detail on the structure):

1. The NCIF, as the tax credit allocatee, selects projects that will benefit communities and involve mission-oriented banks as strong partners. Entities that are customers of NCIF partner banks often sponsor these projects.
2. MDIs and other mission-oriented banks have participated in the 3-Way Partnership in one or more ways. First, an MDI can participate as a leveraged lender (lending within the NMTC structure) or as a direct lender (directly financing or sponsoring the project) to support its customer or build new customer relationships. The bank is able to book assets and income through the loans. Second, some banks joining in the partnership often provide depository services to the borrower. Third, all banks participating in the partnership gain experience and familiarity with the NMTC structure. Some banks that have gained experience through participating in the 3-Way Partnership have gone on to receive their own allocation. These banks can then participate in projects as co-allocatees. Finally, and perhaps most importantly, through participation in the 3-Way Partnership, mission-oriented banks can gain a relationship with larger banks.

3. large bank typically purchases the tax credits, turning them into equity for the project as part of the NMTC structure. In addition to the benefit of the tax credits, the large bank can develop a partnership with the mission-oriented bank and fulfill its CRA responsibilities. To date, the NCIF has completed 27 NMTC projects with 3-Way Partnerships, 11 of which were partnerships with CDFIs including MDI banks.

The following two examples show how NMTC projects were used to leverage community bank and large bank relationships as well as positively affect communities.

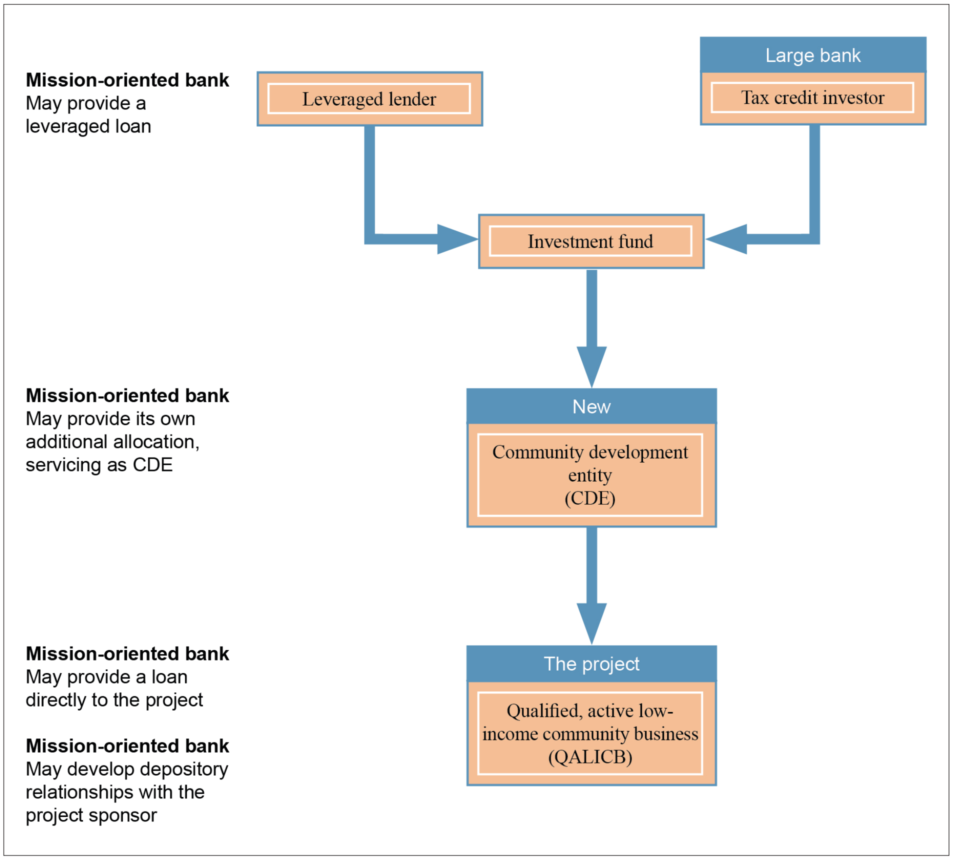
Detroit: Liberty Bank and Trust Partners on Gateway Marketplace

Liberty Bank and Trust, a New Orleans-based MDI, along with the NCIF and U.S. Bank contributed to the NMTC financing for the Gateway Marketplace in Detroit.

This new 350,000-square-foot retail center is the first major retail project in Detroit in over 40 years. The project remediates a 36-acre blighted and contaminated brownfield site and brings a fresh grocer to a federally designated food desert. Hundreds of new construction jobs and permanent jobs were created as a result of the development.

Liberty Bank and Trust entered the Detroit market in 2009 and has been very active in community revitalization efforts. By building relationships with public and private partners, Liberty Bank and Trust has made a substantial contribution to several high-impact housing and commercial revitalization efforts in Detroit.

Figure 3: NCIF's New Markets Tax Credits 3-Way Partnership



Note: For additional information on NCIF's New Markets Tax Credits 3-Way Partnership, please visit the NCIF's website.

REDICO

Liberty Bank and Trust, a New Orleans MDI, partnered with the National Community Investment Fund and U.S. Bank to finance the Gateway Marketplace, Detroit's first major retail project in decades.

East Baltimore: The Harbor Bank of Maryland and City First Bank Partnership

The Harbor Bank of Maryland, City First Bank of DC, the NCIF, and U.S. Bank contributed to the $33 million in NMTC financing for the development of the 1812 Ashland project. The project, developed by the Forest City–New East Baltimore Partnership, includes lab and office space for local and national tenants that have research relationships with Johns Hopkins University (JHU), as well as additional companies attracted to Baltimore's emerging technology sector. The project created hundreds of construction and permanent jobs and generates significant economic activity in the local community.

This project is a key component of a larger, $1.8 billion initiative to revitalize the highly distressed community of East Baltimore, an area that has suffered from persistent poverty and high unemployment. East Baltimore Development Inc. (EBDI), a nonprofit organization established by community, government, institutional, and philanthropic partners to revitalize, re-energize, and rebuild East Baltimore, oversees the initiative. The Harbor Bank of Maryland has a long-term presence in the community and often acts as a catalyst for economic development in Baltimore. Joseph Haskins Jr., Chairman and CEO of the Harbor Bank of Maryland, who was instrumental in the formation of EBDI, believes that such partnerships have allowed local and national entities to leverage their strengths and maximize the impact of their investments in the community.

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Joseph Haskins Jr. Chairman and CEO of the the Harbor Bank of Maryland, shows an award he received for the bank's community development work in East Baltimore.

For more information on the NCIF and how to use its Social Performance Metrics, please visit www.ncif.org. Detailed information on the NCIF's impact analysis is available at www.bankimpact.org. Maps that can help investors and banks connect with geographically convenient partners are available at www.bankimpactmaps.org.

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Citibank: Partnering With Community Banks to Expand Financial Access

Janet Fix, Analyst to the Deputy Comptroller for Community Affairs, OCC

When the Office of the Comptroller of the Currency (OCC) encouraged minority depository institutions (MDI) in 2016 to form collaborations with larger banks, Guillermo Diaz-Rousselot was initially as skeptical as anyone would be if asked to team up with a competitor.

"Yeah, right," thought Mr. Diaz-Rousselot, President and Chief Executive Officer of Continental National Bank, an MDI in Miami. As a trustee for Miami's Olympia Theater at the Gusman Center for the Performing Arts, he said, "I thought collaboration was something only musicians did."

A phone call from Citibank, however, soon gave Mr. Diaz-Rousselot reason to be more optimistic. Continental's customers were invited to use—without paying out-of-network fees—any of Citibank's 2,400 branch automated teller machines (ATM), including those in Chicago, Los Angeles, Miami, New York, San Francisco, and Washington, D.C., cities where Citibank has 600 retail branches.

What did Citibank request in return? "They did not request anything," said Mr. Diaz-Rousselot. "At first, I did not take them seriously, but it was true and it turned out to be the beginning of a beautiful relationship."

For Citibank, it was a serious strategic move that led to positive relationships with seven other MDIs, four community banks, and 11 credit unions across the nation that are initial partners in Citibank's Citi ATM Community Network, a pilot program created in July 2016.

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Natalie Abatemarco, Managing Director of Citi Community Development, and Guillermo Diaz-Rousselot, President of Continental National Bank, discuss their banks' ATM partnership.

"At Citi, we share the same goal as minority-owned banks and credit unions, which is to provide wide access to safe and affordable financial products and services, especially in low-income communities and communities of color," said Bob Annibale, Global Director of Citi Community Development and Inclusive Finance. "The Citi ATM Community Network enables us to collaborate in a new way by expanding access and convenience for the customers of these partner institutions, while at the same time strengthening local trusted credit unions and minority-owned banks."

Expanding financial access and inclusion for community bank customers is a key part of Citi's corporate strategy, said Mr. Annibale, who leads Citi's partnerships with global, national, and local organizations on these efforts to aid financially underserved individuals, families, and communities.

OCC

Spanish language marketing in Continental Bank's lobby in Miami is presented by, from left, Sonia Canessa-Gonzalez, CFO of Continental National Bank; Natalie Abatemarco of Citibank; and Natalia Arana, Marketing Director of Continental National Bank."

Together, the MDIs and other institutions in the Citi ATM Community Network serve more than 400,000 customers, many of whom live in low- to moderate-income and majority-minority neighborhoods considered to be underserved by large financial institutions. The typical MDI customer has a relationship with his or her community bank, which may have only a handful of ATMs locally.

In 2016, Citibank executives learned the OCC was encouraging Citibank and other OCC-supervised banks to collaborate with MDIs. At the same time, Citibank was building off the creation of both the Access Account, in 2014, and its pioneering collaborations to develop savings accounts for schoolchildren in the city and county of San Francisco and the low-income immigrant clients of Grameen America. In addition, Citibank was looking to further expand its financial inclusion efforts by exploring ways to expand ATM access to small community financial institutions. Soon after, Citibank began its ATM pilot program and contacted Mr. Diaz-Rousselot to invite Continental to join the Citi ATM Community Network.

By participating in the network, banks enable their customers to avoid paying out-of-network ATM fees that otherwise could total nearly $5 per transaction. Typically, bank customers pay both an ATM fee charged by the out-of-network bank that owns the ATM and a second fee that their own bank charges for using an ATM owned by another bank. In 2017, out-of-network ATM fees in the United States hit a record high of $4.69 per transaction, up 2.6 percent from the previous year, Mr. Annibale said. “People who are juggling limited cash flows and withdrawing just $40 at a time are paying a significant potential cost to get access to their money,” he said.

The Citi ATM Community Network does not boost Citi’s bottom line or allow Citi to sell its products to its bank partners’ customers, Mr. Annibale said. Proof of this, he said, is in the data Citi has collected since the pilot began. “Most of these customers are just using our ATMs, not the rest of the bank,” Mr. Annibale said.

The Citi ATM Community Network benefits the customers of Continental National Bank of Miami and seven other MDIs:

- American Plus Bank, California
- Broadway Federal Bank, California
- City National Bank, New Jersey
- Executive National Bank, Florida
- Mission National Bank, California
- National Bank of Malvern, Pennsylvania
- Pacific Global Bank, Illinois

In addition, four community banks are participating in the Citi ATM Community Network: City First Bank of DC, Spring Bank in New York City, Neighborhood National Bank in San Diego, Calif., and Quontic Bank in New York City. The Citi ATM Community Network recognizes the way bank customers work and live. “These partnerships expand ATM access to people who have relationships with the local banks that, perhaps, they feel best about,” Mr. Annibale said. “They also leverage Citi’s branch network and expand our footprint in the local communities of our partners.”

In 2018, the Citi ATM Community Network continues as a pilot, and Citibank will, at its discretion, add new partners while maintaining control over the impact of the added volume on its retail branch network, according to Mr. Annibale.

“We know that people who use our 399 Park Avenue ATM don’t live a few blocks away from 399 Park Avenue,” Mr. Annibale said. “They come from all over New York, from all over the country, and around the world. They live elsewhere but may work in Manhattan, or they pass by as taxi drivers, delivery men, cleaners, office workers, civil servants, and pedestrians.”

While Citi may not quickly expand its ATM network, it does hope that other OCC-supervised banks will see what it has done and follow its lead by providing access to their ATMs at no charge to other community banks.

“There are many other [large banks] which could do the same, and that would be amazing,” Mr. Annibale said. “We could continue, almost exponentially, to expand financial access.”

Meanwhile, Continental Bank and its customers are enjoying the benefits of Continental’s relationship with Citibank, including greater brand awareness and free access to their cash at any Citibank ATM.

Mr. Diaz-Rousselot said the Citi ATM Community Network has helped Continental to stand out in a crowded South Florida banking market where 60 community banks compete for the same customers and market share. “Our partnership is a big plus, at the board level, with our officers, our customers … and in terms of branding and public relations,” Mr. Diaz-Rousselot said. Results, he said, have “been quite positive.”

His customers increased their ATM usage by 10 percent, with 30 percent using ATMs to check balances before making withdrawals. He said 67 percent of customers are using the network to withdraw funds.

In addition, Mr. Diaz-Rousselot has overcome his initial concerns that Citibank might try to entice his customers away or cross-sell Citibank products to them. Citibank has not done this, Mr. Diaz-Rousselot said. Most importantly, Mr. Diaz-Rousselot is pleased because his customers are happy and saving money.

“We know 91.3 percent of our customers are aware of our alliance with Citibank and 64 percent have used a Citibank ATM at no cost,” Mr. Diaz-Rousselot said. “It’s been fantastic for us.”

For more information, contact Patricia Tuma, Vice President for Corporate Communications at Citibank, at patricia.tuma@citi.com.

Texas Capital and Texas National Banks: Collaborating for Mutual Benefit

Janet Fix, Analyst to the Deputy Comptroller for Community Affairs, OCC

When the Office of the Comptroller of the Currency (OCC) invited Texas Capital Bank to join the first Minority Depository Institutions (MDI) Collaboration Roundtable, Chief Executive Officer Keith Cargill and Director of Community Development Effie Dennison did not know what might result from the meeting. They returned home to Dallas with a new—and potentially profitable—opportunity for the bank's business strategy.

Two years later, Texas Capital Bank is collaborating with and providing correspondent banking services to about 21 MDIs and community development financial institutions (CDFI). The partnerships are giving Texas Capital Bank, a $25 billion commercial and private client bank, access to new business and consumer relationships in culturally diverse and low-to moderate-income communities across the nation.

In return, Texas Capital Bank is receiving Community Reinvestment Act consideration for its MDI collaborations.

"What we heard from these banks was their long, rich history of meeting the needs of their communities, and that they were not looking for a handout," said Ms. Dennison. "Rather, they were looking for an opportunity to be strategic by helping each other's businesses grow for mutual benefit."

Texas Capital Bank's MDI–CDFI program provides reciprocal deposit agreements and other correspondent bank services designed to meet the balance sheet needs and earning asset goals of its partners. These MDI and CDFI partners are coast to coast and range in size from $80 million to $4 billion in assets.

OCC

Jesse Jackson, a Senior Vice President of Texas Capital Bank, and Jose "Joe" Quiroga, President of Texas National Bank, consider their partnership mutually beneficial.

The partnerships further Texas Capital Bank's strategic plan, which has led the bank to partner with more than 340 banks in 40 states. "We've quietly built what some would say is the largest correspondent banking division in the country, based on deposits," said Jesse Jackson, a Senior Vice President of Texas Capital Bank.

Texas Capital Bank formed its MDI–CDFI partnerships after the OCC's first roundtable in 2016 and held a subsequent meeting at its headquarters for chief executives of selected MDIs and CDFIs. That meeting focused on how Texas Capital Bank could support MDIs and CDFIs through loan participations, reciprocal deposit relationships, sharing intellectual capital and specialized expertise about talent management, recruiting, compliance risk, marketing, and cybersecurity.

Next, Texas Capital Bank ensured the collaborations it formed were successful for all involved by

- staying in touch with partners regularly through on-site visits and meetings.
- building relationships with each MDI's executive management team.
- offering deposit rates that successfully compete with the federal funds rate and rates offered by other banks.
- reducing the size of loan participations to $1 million to $5 million (a fraction of the bank's typical $10 million to $15 million minimum) to meet the lower lending limits of partners.

"At the end of the day, our job is to create opportunities for [our partner] banks to buy into deals," Mr. Jackson said. "Our internal credit culture and the folks that manage MDI–CDFI relationships in our bank have become familiar with the size of transactions these banks require. We are comfortable with the segment of banks that are participating in our program."

Relationship banking is a key ingredient. “When we do business with you, we enjoy getting to know you,” Mr. Jackson said. “That is the way we cultivate our relationships.”

The results have proven to be mutually beneficial to Texas Capital Bank and its partners.

“The social impact is very important, but we also set out to build a profitable business with our MDI and CDFI partners,” Mr. Jackson said. “The overall impact is far-reaching and rewarding. We’ll touch more banks, more communities, and more people through MDI collaborations than you can on your own.”

The rewards have been positive and unexpected, said Jose “Joe” Quiroga, president of Texas National Bank, which is based in Mercedes, Texas, and has locations in four other small communities.

“The partnership with Texas Capital Bank has helped us to leverage our minority status in a growing market,” Mr. Quiroga said. “To have Texas Capital Bank come in and make a deposit in our institution that diversifies our funding sources was very helpful for us.”

The asset diversification has helped Texas National better compete in a growth market that is 90 percent Hispanic and to provide loans to customers, Mr. Quiroga said. The partnership also has resulted in phone-based trainings for Texas National’s staff members by Texas Capital Bank’s experts in a number of key areas.

Additional collaborations are possible, Mr. Quiroga said, because Mr. Jackson and his Texas Capital Bank team are “just phenomenal. They keep an open mind about where our partnership can go from here. … There’s a variety of different things we are working on together, going forward.”

Unlike other bankers who may balk at suggestions they collaborate with bigger banks that could be viewed as competitors, Mr. Quiroga had no qualms about partnering with Texas Capital Bank.

“Texas Capital Bank is not in my backyard, and I don’t have a presence in its market in Dallas or Houston,” Mr. Quiroga said. “If anything, I wish I could do more from the standpoint of dreaming up new ideas of how we could collaborate together.”

That is at the core of these efforts. “We are free to ask, ‘How can I make you better and how can you make me better?’” Mr. Quiroga said.

Texas Capital Bank is open to collaborating with other MDIs and CDFIs in 2018.

“We’ve worked closely with each of [our partner] banks to understand their needs, to identify where the opportunities are, and to determine what fits with what we’re trying to do to meet both organizations’ profitability objectives,” Jackson said. “We want to make sure we are adding value and doing things to move these partnerships forward.”

For more information, visit Texas Capital Bank’s website or contact Jesse Jackson at jesse.jackson@texascapitalbank.com.

Minority Depository Institutions Resources

A variety of resources is available to help banks interested in developing mutually beneficial partnerships with MDIs. The electronic version of this publication on the OCC's website (www.occ.gov) contains links to these resources at www.occ.gov/mdicollaborations.

OCC Resources

- "An Opportunity for Community Banks: Working Together Collaboratively"
- "Policy Statement on Minority National Banks and Federal Savings Associations"
- Listing of OCC-supervised minority depository institutions
- Minority Depository Institutions Advisory Committee
- Minority Depository Institutions Resource Directory
- "Minority-Owned Banks: Making a Difference in Their Communities"
- "Partnerships With Minority- and Women-Owned Financial Institutions, Low-Income Credit Unions"
- "Annual Report: Preservation and Promotion of Minority-Owned National Banks and Federal Savings Associations."

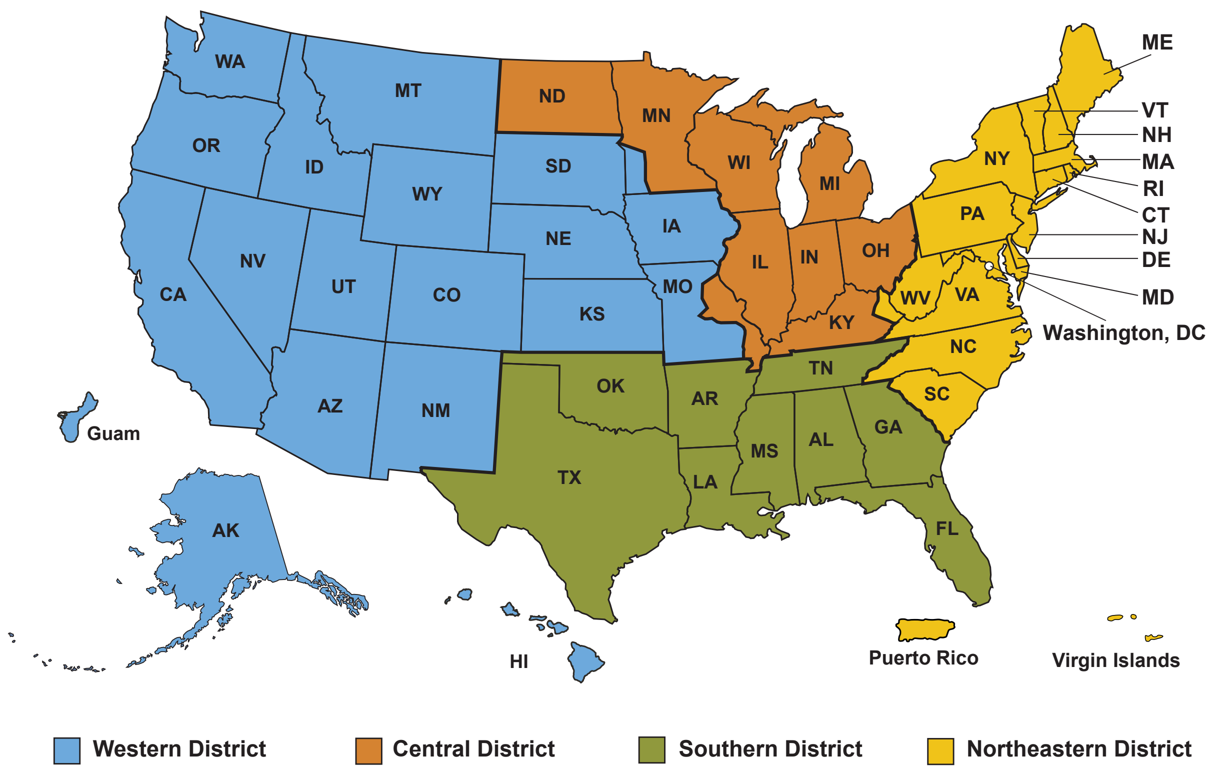
Other Federal Resources

- FDIC Minority Depository Institutions Program
- Board of Governors of the Federal Reserve System Partnership for Progress
- CDFI Fund Minority Depository Institutions Resource Bank

Banking Industry Resources

- Community Development Bankers Association
- Independent Community Bankers of America
- National Bankers Association
- National Community Investment Fund

Community Affairs supports the OCC's mission to ensure a vibrant banking system by helping national banks and federal savings associations to be leaders in providing safe and sound community development financing and making financial services accessible to underserved communities and consumers, while treating their customers fairly.



E-mail and telephone information for the OCC's District Community Affairs Officers is available at www.occ.gov/cacontacts.

Community Affairs

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