



August 28, 2023

Melane Conyers-Ausbrooks  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, Virginia 22314-3428

RE: Policy Statement: Minority Depository Institution Preservation Program

Dear Board Members:

Thank you for the opportunity to submit comments on the National Credit Union Administration's (NCUA) proposed revisions to Interpretive Ruling and Policy Statement 13–1 regarding the Minority Depository Institution (MDI) Preservation Program and offer suggestions on how the NCUA can best support MDI credit unions. The undersigned organizations appreciate the NCUA's growing commitment to supporting and preserving MDI credit unions, as laid out in Chairman Harper's remarks at the June 22, 2023, NCUA Board Meeting.

MDI preservation is critical to ensuring continued access to fair and affordable financial services in communities of color. Although the market size for the credit union industry in the United States has grown 5.2% per year on average between 2017 and 2022, until recently, the share of MDI credit unions had been steadily declining. From 2012–2021 the number of MDI credit unions dropped by 38%, a result of decades of underinvestment combined with a more difficult process for new charters. Recently, the number of MDIs has stabilized at about 500 institutions and the NCUA's ongoing commitment to MDI preservation and creation will help ensure MDI credit unions have the resources and supports needed to continue to serve their communities effectively.

MDI credit unions, especially Black credit unions, provide financial services to some of the most underserved communities in the United States. Because MDIs focus on serving the communities most affected by structural racism whose residents have been systematically denied opportunities to build generational wealth, MDI credit unions are under-resourced when compared to similarly situated non-MDI credit unions and face many of the same structural and institutional barriers their members face. The size of the average MDI credit union clearly illustrates this disparity. The average MDI credit union had \$128 million in assets in 2022, compared to the average low-income designated credit union's more than \$410 million in assets. The typical MDI's small size and role serving an under-resourced community presents numerous challenges, including securing both member and non-member deposits, building a robust loan portfolio, and retaining and developing talented staff to ensure their continuing success when the current generation of leaders retires. In addition, many MDI credit unions are subject to restrictive state or local policies that, for example, prohibit credit unions from accepting state or municipal deposits, eliminating a key source of non-member deposits for MDI credit unions that banks regularly take advantage of. Although state and local policy is outside of the NCUA's purview, it is

important that NCUA staff and leadership are aware of the pervasive structural barriers MDI credit unions face.

Despite these challenges, MDI credit unions achieve deep impact in their communities by opening accounts for people who have been excluded from the mainstream financial system, offering innovative, personalized products and services to meet their members' needs, and maintaining deep ties with their communities. They are often the only source of safe and affordable credit for their membership and excel at helping their members refinance high-cost predatory debt. MDI credit unions regularly lend to members with credit scores far below prime (often less than 540) and "credit invisibles," those without credit scores or thin files. MDIs help their members build credit and access a broad range of financial products and services.

Given the crucial role MDI credit unions play in their communities, we are encouraged by the NCUA's increased and vocal commitment to supporting and preserving MDI credit unions. As the NCUA builds on its efforts to date, the agency should increase its support for MDI credit unions by deepening its engagement with MDI credit unions and the organizations that support them, improving the accessibility and usefulness of its key MDI programming efforts, and continuing to improve the examination process and compliance support for MDIs. In addition, the NCUA should play an active role in promoting MDI credit unions and ensuring they have the opportunity to participate fully in and on equal footing with MDI banks in both federal and private initiatives designed to support MDIs.

### *About the Signatories*

Inclusiv is the national network of community development credit unions committed to promoting financial inclusion and equity through credit unions. The Inclusiv network represents more than 480 credit unions serving more than 19 million people in predominantly low-income urban, rural, and reservation-based communities across 46 states, Washington DC, the U.S. Virgin Islands and Puerto Rico. Inclusiv channels capital to, and the builds capacity of, these institutions that are dedicated to serving low-income people and redlined and disinvested communities that mainstream financial institutions fail to serve. We design, implement, and track numerous initiatives aimed at enabling credit union members to use their credit unions to build wealth and assets.

Inclusiv is joined by 38 MDI credit unions that serve a diverse array of communities across the country. The majority of MDI credit union signatories are small credit unions, but the group represents a broad range of asset sizes — from less than \$1 million to more than \$1 billion. They also serve a diverse range of members, including but not limited to, Black faith-based communities, Latino communities on the Texas border and across the country, Native communities in South Dakota, low-wage workers who are disproportionately people of color, and low-income, historically redlined or otherwise excluded communities of color in cities of all sizes as well as suburban and rural areas across the country.

Credit union association signatories include:

- The African-American Credit Union Coalition (AACUC) was created to increase the strength of the global credit union community. We are a non-profit organization of diverse, multicultural

professionals and volunteers in the credit union industry. AACUC is considered a leader in the credit union industry, adopting the 8th Cooperative Principle of Diversity, Equity and Inclusion and providing knowledge of how credit unions can become more diverse and inclusive.

- CUNA is the largest trade association in the United States serving America's credit unions and the only national association representing the entire credit union movement. CUNA represents nearly 5,000 federal and state credit unions, which collectively serve more than 135 million members nationwide. CUNA's mission, in part, is to advocate for the responsible regulation of credit unions to ensure market stability, while eliminating needless regulatory burden that interferes with the efficient and effective administration of financial services of credit unions to their millions of members.
- National Association of Latino Credit Unions and Professionals (NLCUP) is a 501c3 non-profit association dedicated to providing financial education and services for the Hispanic/Latino community as well as to increase economic, asset-building, and professional development opportunities.

### Inclusiv's Work to Support MDIs

Beginning in 2017, Inclusiv launched an initiative to help slow the decline of MDIs and to increase the number and impact of credit unions owned by and serving communities of color (i.e., Inclusiv's African American Credit Union Initiative). Since 2019 the number of MDIs has more or less stabilized to roughly 500 MDIs, and more than 150 MDIs (30%) are part of Inclusiv's membership. Inclusiv provides a range of operational capacity building, technical assistance, and resource development supports as a continuum of services for MDIs wherever they are in their growth trajectory. Sometimes MDIs are in need of critical, time-sensitive support, and other times they are high-performing and completely sustainable institutions seeking ideas for further growth. Inclusiv works with community development credit unions along the full spectrum of needs, and tailors services to address their specific goals. Since 2020, Inclusiv has also distributed \$2.1 million in privately raised dollars through our Racial Equity Grant Fund to 135 unique MDIs and cooperativas (financial cooperatives based in Puerto Rico).

As the national CDFI intermediary for community development credit unions, Inclusiv also created the first-ever impact funds and innovative capital resources to support the leadership and thriving of MDIs and credit unions working to advance financial inclusion and racial equity. Through initiatives such as the Inclusiv Southern Equity and Racial Equity Investment Funds, Inclusiv has raised capital from cross sectoral, values aligned investors and directly invested more than \$26 million into MDI credit unions. Further, Inclusiv provided critical technical assistance, and advocacy work to increase the accessibility of historic capital initiatives to MDIs in advancing recovery from some of the country's most challenging events such the Great Recession and COVID-19 pandemic. Through our role in facilitating partnerships with the U.S. Department of Treasury's initiatives such as the Community Development Capital Initiative and Emergency Capital Investment Program (ECIP), MDIs were able to access more than \$841 million in secondary capital to support their growth and deepen impact.

### *NCUA's Support for MDI Credit Unions Is Key to MDIs' Growth and Success*

The NCUA's recent announcements regarding changes to its MDI preservation program will notably improve the agency's efforts to support and preserve MDI credit unions. In particular, the changes to

exams to compare MDIs to MDIs, allowing all MDIs (regardless of low-income designation) to participate in the Community Development Revolving Loan Fund (CDRLF), and the NCUA's commitment to first turn to MDIs when MDI credit unions need a merger partner are all critically important. In addition, the NCUA's efforts to highlight and educate the credit union movement about MDIs have been welcome, particularly its webinars for MDI awareness month, partnerships with organizations like the African American Credit Union Coalition (AACUC) and the National Association of Latino Credit Unions and Professionals (NLCUP), and efforts to better publicize the agency's resources for MDIs. The NCUA should continue to educate the credit union movement, the public, and MDIs about the unique benefits MDIs offer their communities and increase the tangible benefits that come with having the MDI designation (i.e., similar to low-income designation).

Given the NCUA's commitment to supporting MDIs, we outline additional opportunities for the agency to support and engage with MDIs below.

#### Deepen Engagement with MDIs

The NCUA's commitment to MDIs was communicated clearly during MDI awareness month in June 2023 and extends through many areas of the agency's work. We appreciate the NCUA's engagement with Inclusiv on MDI-related work as well as the agency's participation in other MDI-focused events like AACUC's Small Credit Union Summit. We look forward to continuing to work with NCUA staff to ensure MDI credit unions are aware of the resources offered and make sure that NCUA staff have the opportunity to engage with and hear feedback from MDI credit unions outside of the examination process. We encourage the NCUA to continue to build on this work and to identify ongoing opportunities to engage with MDIs, especially small MDIs. For instance, the NCUA could facilitate small MDI participation in its events by providing travel support for very small MDI credit unions that would otherwise not be able to participate in NCUA's in-person events.

#### Make Technical Assistance More Accessible

Over 130 credit unions have already benefitted from the NCUA's Small Credit Union and MDI Support Program for credit unions under \$100 million in assets, but the pathways for accessing that technical assistance could be improved to help the agency reach more credit unions. Currently, MDIs may access support through their examiner or through their regional director. In addition to these two pathways, we recommend the NCUA create a technical assistance request form on the MDI preservation webpage and clearly list a phone number and email address for the staff member who handles technical assistance requests. The NCUA should also consider targeted TA support to very small MDI credit unions and MDI credit unions that are managing significant challenges, as identified in their examinations, to ensure the TA resources are used in the cases where they are needed the most.

#### New MDI Exam Procedures Have Notably Improved Exams

The NCUA's new MDI examination procedures that went into effect this year are an important change given the fundamental differences in MDI and non-MDI credit union business models. A number of MDIs have reported that their 2023 exams have been notably different than prior year exams, with examiners offering better targeted advice and focusing on helping the credit unions grow. This is a credit to the NCUA's examiner training, and we hope that the NCUA will continue to ensure that new policy

approaches and MDI programming announced by the Board consistently reach front-line staff responsible for carrying out the programming. One additional recommendation is to offer more transparency around what the new MDI examination standards are and how they differ from non-MDI standards.

Although not directly related to the MDI exam procedures policy change, we recommend the NCUA explore simplifying exam procedures for and dedicating specifically trained examiners to work with very small credit unions, such as those with \$10 million or less in assets. Very small MDI credit unions often offer targeted and limited financial services to small niches within their communities that are not served by mainstream financial institutions. The products and services they offer are usually simple and low-risk, but these credit unions are sometimes encouraged by their examiners to adopt policies and procedures that are more complex than their operations warrant and then are penalized when they fail to follow the overly complex new policies. This pattern could be avoided if there were examiners who specialized in very small credit unions and could advise on appropriately scaling policies and procedures to reflect the credit unions' actual practices and risk profiles.

Similarly, all small MDI credit unions (those with less than \$100 million in assets) would benefit from any flexibility in regulatory requirements the NCUA is able to offer. Small credit unions often must turn to consultants to create the capacity to meet their compliance requirements, sometimes at significant expense. Allowing cost-saving measures like pooling vendor due diligence efforts across multiple credit unions is one example of how additional flexibility could help MDIs save staff time and money while ensuring they comply with NCUA requirements. Engagement with small MDIs on this issue will uncover many additional opportunities for the NCUA to support these institutions in meeting their compliance requirements affordably and sustainably.

#### Make Community Development Revolving Loan Fund Grants More Accessible

The NCUA's recent changes to the CDRLF program, including allowing non-LICU MDIs to participate and paying a portion of grants up-front rather than providing the entire grant on a reimbursement basis are both positive changes to support MDI participation in the program.

To continue improving the usefulness and accessibility of CDRLF grants, we recommend the NCUA:

- Provide all grants up-front rather than reimbursing credit unions after a project is complete or in installments. Very small credit unions can struggle to fund projects and switching to up-front funding will support equity in the program since credit unions that may not be able to cover the cost of a project without grant support will be better able to participate.
- Work with Congress to increase the CDRLF grant pool and keep applications open on a rolling basis so that credit unions have access to grant support as needs emerge. A rolling application will also ensure that small credit unions setting up SAM.gov accounts for the first time do not miss the application window as a result of delays obtaining their log-in information. If a rolling application is not possible, providing additional support such as SAM.gov how-to webinars well in advance of the CDRLF grant deadline would help ensure all interested small MDIs are able to apply for NCUA's grants.

- Increase the maximum award amount for Digital Services and Cybersecurity from \$10,000 to \$50,000. IT and cybersecurity have been a major area of supervisory focus for the NCUA, and many MDIs have technology needs that require significantly more than \$10,000 of investment. Although MDIs may address technology needs through the MDI Capacity Building grant, it is important that the Digital Services and Cybersecurity grant also remain aligned with credit unions' needs.
- Highlight the use of Training grants to support professional development to build leadership pipelines and support effective succession planning at MDI credit unions.

### Field of Membership Expansion

For MDIs to thrive for years to come, it is critical that they grow, and growth often requires expanding fields of membership. The NCUA's recently proposed changes to the Chartering and Field of Membership Manual will prove helpful when finalized, but many MDIs will continue to face challenges in securing NCUA approval for changes to their fields of membership, especially when they plan to expand to serve underserved areas. We recommend that the NCUA provide additional technical assistance to MDIs seeking to expand their fields of membership and provide access to interactive analysis tools that allow credit unions to easily determine if an underserved area passes the concentration of facilities test. The concentration of facilities test requires sophisticated data analysis, so providing a tool that would allow credit unions to select their geographies of interest (down to the Census tract level) would significantly reduce the burden of preparing the application while increasing the chances of the application being approved.

### *Interpretive Ruling and Policy Statement 13–1 regarding the Minority Depository Institution (MDI) Preservation Program*

The NCUA's proposed changes to the IRPS are positive. To support additional credit unions in self-certifying as MDIs, it would be helpful for the NCUA to provide additional training and guidance on tracking and storing member demographic data. More and more federal programs require credit unions to report member race and ethnicity data, so providing training on and guidance documenting best practices will not only support credit unions in self-certifying as MDIs but will also help credit unions comply with other federal program requirements. Data collection methodologies and accepted best practices should be consistent across federal programs and allow the use of well-tested proxy methodologies, and we encourage the NCUA to collaborate with Treasury, the CDFI Fund and other federal agencies to ensure data collection requirements are both consistent and feasible.

### *Ensure MDI Credit Unions Have Opportunities to Participate Fully in Federal and Private MDI Programming*

NCUA's deepened engagement with MDI credit unions in support of the sector's preservation and growth is needed now more than ever. Although well-developed, and growing, infrastructure exists to support MDI banks, similar systems do not currently invest in the same way and at the same levels in MDI credit unions. An example of this disparity is evident in the Economic Opportunity Coalition's investments to date. The Coalition's partners committed to move \$1 billion in deposits to MDIs to help

MDIs take full advantage of the Emergency Capital Investment Program (ECIP), but nearly all of the activity thus far has been with MDI banks. Given that credit unions' participation in ECIP is limited to 30 years while banks may participate in perpetuity, it is critical that support resources reach MDI credit unions equitably. In addition, the FDIC is developing the Mission-Driven Bank Fund to encourage private investment in CDFI and MDI banks.

It is critical for the NCUA to play an active role in advocating for the inclusion of MDI credit unions in initiatives like the Economic Opportunity Coalition. One strategy that the FDIC has deployed to support MDIs - that that the NCUA could adopt - is commissioning a report on the structure, performance, and social impact of MDI banks.<sup>1</sup> A similar report highlighting the reach and impact of MDI credit unions is sorely needed to demonstrate the sector's importance to Congress and mission-driven investors.

We urge the NCUA to focus on developing a program for credit unions mirroring the Mission-Driven Bank Fund to drive private sector support to MDI credit unions and to create new programs that support investment in and drive grant funding to MDI credit unions. More broadly, the NCUA should commit to working with both public and private stakeholders to ensure MDI credit unions have full and fair access to MDI programming, and, when credit union participation is not practical or feasible, to dedicate a similar level of resourcing to ensure that MDI credit unions have access to the infrastructure they need to survive and thrive.

Thank you for the opportunity to comment on the NCUA's critical work to support and preserve MDI credit unions. Please contact Alexis Iwanisziw, SVP Policy and Communications ([aiwanisziw@inclusiv.org](mailto:aiwanisziw@inclusiv.org)) with any questions about these comments.

Sincerely,

Inclusiv

1199 SEIU Federal Credit Union

1st Choice Credit Union

Abyssinian Baptist Church Federal Credit Union

African-American Credit Union Coalition

Atchison Village Credit Union

Berean Credit Union

Border Federal Credit Union

Cooperative Federal

Credit Union National Association

CTA South Federal Credit Union

Faith Community United Credit Union

Florida A&M University Federal Credit Union

Greater Cleveland Community Credit Union

Hope Credit Union

Iberville Federal Credit Union

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<sup>1</sup> See <https://www.fdic.gov/regulations/resources/minority/2019-mdi-study/full.pdf>

Illinois Credit Union League  
Israel Methcomm Federal Credit Union  
Lakota Federal Credit Union  
Latino Community Credit Union  
Light Commerce Credit Union  
Lower East Side Peoples FCU  
Memphis Municipal Employees Federal Credit Union  
Miami Postal Service Credit Union  
Mount Zion Indianapolis Federal Credit Union  
National Association of Latino Credit Unions and Professionals  
Neighborhood Trust FCU  
New Covenant Dominion Federal Credit Union  
Nueva Esperanza Community Credit Union  
One Detroit CU  
Park Manor Christian Church CU  
Pilgrim Baptist Credit Union  
Raiz FCU  
River City Federal Credit Union  
Sixth Avenue Baptist FCU  
South Texas Federal Credit Union  
T E A Federal Credit Union  
Toledo Metro Federal Credit Union  
Toledo Urban Federal Credit Union  
Unified Homeowners of Illinois Federal Credit Union  
United Credit Union  
Urban Beginnings Choice Federal Credit Union  
WBRT Federal Credit Union