



Statement for the Record  
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Chairman  
The National Bankers Association

House Financial Services Committee Hearing

“Justice for All: Achieving Racial Equity Through Fair Access to  
Housing and Financial Services”

March 10, 2021

Chairwoman Waters and Ranking Member McHenry thank you for the opportunity to share the views of the National Bankers Association (NBA), the leading trade association for the country’s 148 Minority Depository Institutions (MDIs), on the important topics being explored at today’s hearing. The NBA supports the “Ensuring Diversity in Community Banking Act” and the “Expanding Opportunity for Minority Depository Institutions Act”. The Acts are a historic and important step in the Congress more fully embracing its role in supporting MDIs and creating a regulatory and operating environment that will help to ensure that MDIs continue to play a vital role in meeting the banking and credit needs of communities of color throughout the country.

Many of our member institutions are also Community Development Financial Institutions (“CDFIs”) and have become banks of last resort for consumers and businesses who are underserved by traditional banks and financial service providers. Members of our association are on the front lines, trying to reduce the economic hardship in minority communities, which are historically the most vulnerable during any slowdown. The COVID-19 pandemic has made the economic situation in our communities dire and we all need to do our part to ensure individuals in the middle of the health crisis, principally minority communities that have accounted for ~50% of the deaths, have equal access to financial services.

The “Ensuring Diversity in Community Banking Act” includes a number of important provisions that the NBA has advocated on for some time. The NBA has long sought to enhance federal agency participation in the Department of Treasury’s Minority Bank Deposit Program (MBDP). The Act brings about much-needed reforms to the MBDP by codifying it, expanding federal agency participation in the MBDP, and lowering the barriers to participation for MDIs. Current rules

require that federal agency deposits in MDIs must be fully collateralized, which has proven an insurmountable hurdle to implementation of the Minority Deposits Program, as doing so locks-up capital that could be mobilized for lending.

The Act clarifies that any such deposits may also be insured, including through reciprocal deposits. Doing so will ensure that any such deposits do not pose any financial risk to the federal government, while also allowing the deposits to be mobilized for lending and therefore having a positive multiplier effect in the communities in which our member banks operate.

The NBA supports the establishment of a program whereby the Treasury Department will deposit into MDIs funds up to the FDIC insured amount, from funds under management by the Treasury Department. This initiative will help mobilize stable deposits into MDIs, which will have a multiplier effect on the communities we serve without creating any new exposures or loss risks for the Treasury Department.

The NBA also recognizes its unique voice in advocating on behalf of both MDIs as well as the communities our institutions serve. We commend the Act's inclusion of language supporting the establishment of a loan-loss reserve fund for small dollar loans at the CDFI Fund – a provision that allows mission-oriented lenders to provide alternatives to high-cost, small-dollar loans that disproportionately target the communities that our member institutions serve. As you know, the vast majority of U.S. economic activity is ultimately driven by consumer spending, and this activity is severely threatened by protocols to protect the public health and slow the progression of the virus. As a result, wage earners in the service sector across many industries are losing their livelihoods.

Many our banks' customers live from "check-to-check". These are hard-working, low- to moderate-income wage earners, who typically have low balance (\$1,000 or less), high-transaction checking accounts. While we fully support policy proposals to immediately transmit cash to consumers and offer our banks as vehicles to efficiently and effectively deliver that cash to our customers, we also welcome additional support in the form of a Treasury-backed consumer loan loss pool or other credit enhancement mechanism for MDIs that would allow us to offer our customers small-dollar loans that would essentially look like overdraft protection, allowing them to continue to afford essentials like food, shelter, and medicine, without having to resort to expensive, predatory lenders.

We also support the Act's establishment of a task force to encourage more Small Business Administration lending through our member institutions and CDFIs given the role that inadequate access to capital continues to play in stifling the growth of minority-owned businesses.

The NBA has long viewed Treasury's Financial Agent Mentor-Protégé Program as an underutilized vehicle for MDI-majority bank partnerships, and we therefore enthusiastically support the 'Expanding Opportunity for Minority Depository Institutions Act'' expansion of the Program's reach to include more MDI-majority partnerships in administering programs through the Bureau of the Fiscal Service.

The NBA again applauds the Committee for holding this important hearing and for the ongoing efforts to ensure equity for communities in the country. While we commend Congress on its leadership to date in responding to the COVID-19 pandemic, we firmly believe much work remains to be done in supporting the MDI sector as we respond to the credit needs of the communities that our member institutions serve that will disproportionately shoulder the burden of any economic downturn attributable to the COVID-19 pandemic. In this regard, the NBA and its members banks look forward to working closely with the Committee on the types of workable solutions being considered at this hearing that ensures LMI communities do not just simply survive but ultimately thrive. Thank you again for the opportunity to comment.