

BANK

2025 **State of MDIs**

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nationalbankers.org

2025 — State of MDIs Report

TABLE OF CONTENTS

Executive Summary	3
MDI Sector Overview	6
Financial Performance	8
Community Impact	10
Lending Analysis	13
MDI Leaders Survey	16
Conclusion	17



Executive Summary

The nation's 153 Minority Depository Institutions (MDIs) are mission-driven banks that empower people and communities to save, build, and invest. MDIs provide essential financial services to those that mainstream financial institutions have traditionally not served, growing the economy from the ground up and ensuring the resiliency of Main Streets across the country.

Released annually by the National Bankers Association (NBA), the **State of MDI** report covers developments in the size, scale, and impact of the MDI sector. In this year's report, we provide an overview of the sector, discuss trends in financial performance, explore community development impacts, analyze lending activity, and summarize qualitative insights from bank leaders.

The 2025 State of MDI report key findings include the following:

As a sector >



153 MDIs collectively hold **\$381 billion** in assets.



Almost 26 million People live in zip codes with an MDI present representing **8%** of the total population

Most MDIs are modestly sized, with a median of



\$475M in assets

and

4 Bank branches

MDI financial performance is broadly on par with other community banks. Like all U.S. banks, MDIs are contending with a high interest rate environment, increasing consumer credit delinquencies, and generalized economic uncertainty.

Consistent with their mission, MDIs locate in and serve communities with higher rates of economic hardship and minority residents. Still, we continue to find evidence that communities with an MDI present have better credit health than similar communities without MDIs, including lower inquiries for high-cost lending products such as payday or pawnshop loans.

The 15 banks in our lending analysis originated more than \$2.6 billion in 2024, investing in every state and Washington, D.C. Almost two-thirds of originations were for small dollar consumer loans. By dollar amount, residential real estate, commercial real estate, and land development together accounted for 71% of total lending. As in past years, significant shares of MDI lending went to communities with elevated economic hardship and minority populations.

MDIs are watching to see how political developments affect their operating environment. The 2025 Survey of MDI Leaders showed that bank executives started the year bullish on both the national and local economy. Almost 80% of banks aimed to move into the next asset size band, with a focus on principled and sustainable growth. Yet by summer, overall economic confidence had cooled, as the macroeconomic picture appeared uncertain.

Despite political headwinds and uncertainty in the broader economy, MDIs remain committed to their mission and continue to demonstrate their vitality and importance. To continue to support the sector, partners can leverage the following strategies:

- Place **low-cost, sticky deposits** with MDIs to strengthen liquidity and grow total originations.
- Leverage **program-related and mission-related investments** to help large-scale projects mitigate risk and attract more private sector funding.
- Provide **technical expertise and support** for MDIs as they integrate AI and other innovations to reduce costs and better serve their customers.
- Connect **tax credits** with federal and state programs like Opportunity Zones to reward investments in MDIs and to incentivize development projects in underserved communities.

In the next sections, we detail how the sector has grown, examine the social impact of the sector, and consider what is on the horizon for MDI leaders. As we will demonstrate, despite political headwinds the MDI sector is strong and poised for continued impact and growth.

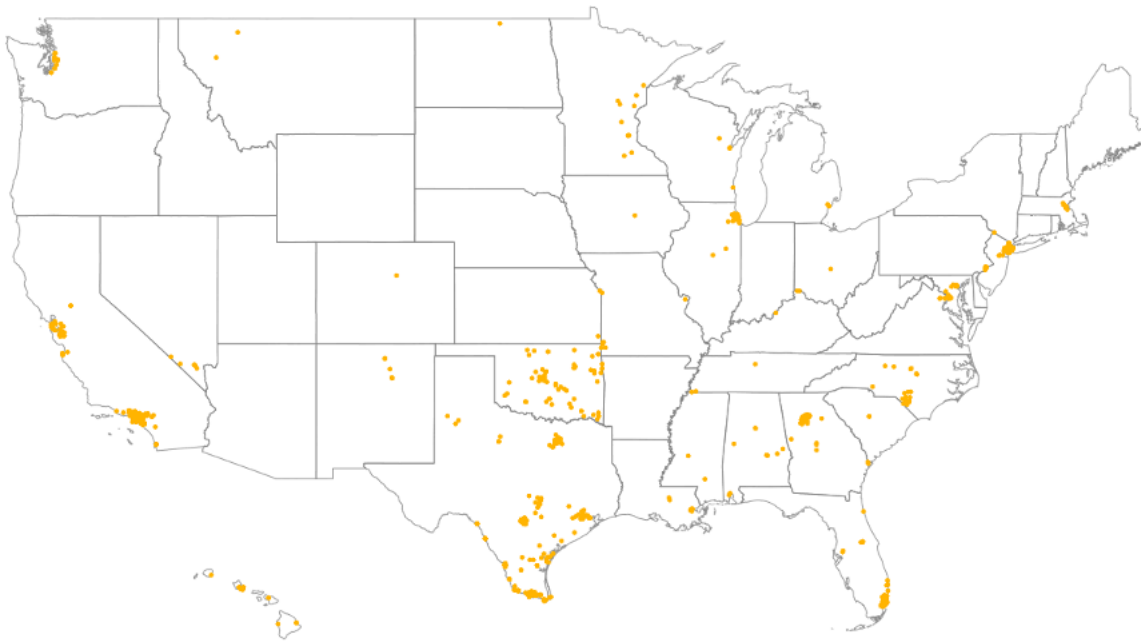
MDI Sector Overview

There are currently **153 MDIs – 47% Asian, 20% Hispanic, 16% Black, 13% Native, and 5% multi-racial** – with combined total assets of \$381 billion.¹ This includes 1,550 MDI branches, located across 42 states and territories, 502 cities, and over 765 zip codes. Almost 26 million people live in zip codes with an MDI present, representing 8% of the total population.

MDIs are federally insured depository institutions that are at least 51% owned or operated by minority individuals and predominantly serve minority communities. Congress created this designation to preserve and encourage the sector, in recognition of MDIs’ **“unique role in promoting the economic viability of minority and underserved communities.”**² While the congressional designation provides added visibility, these mission-driven banks served their communities long before federal recognition and continue to do so today.

Three states – California, Texas, and New York – are collectively home to almost two-thirds (65%) of all MDI branches.³ At the individual bank level, East West Bank has an especially large physical footprint, with almost 100 branches. The median MDI, in contrast, operates just four branches, and 17% of MDIs have only one branch location.

Figure 1: MDI Branches in the U.S.



Note: Only branches of MDIs headquartered in U.S. states and DC are shown. Alaska has no MDIs. Data is as of year-end 2024.

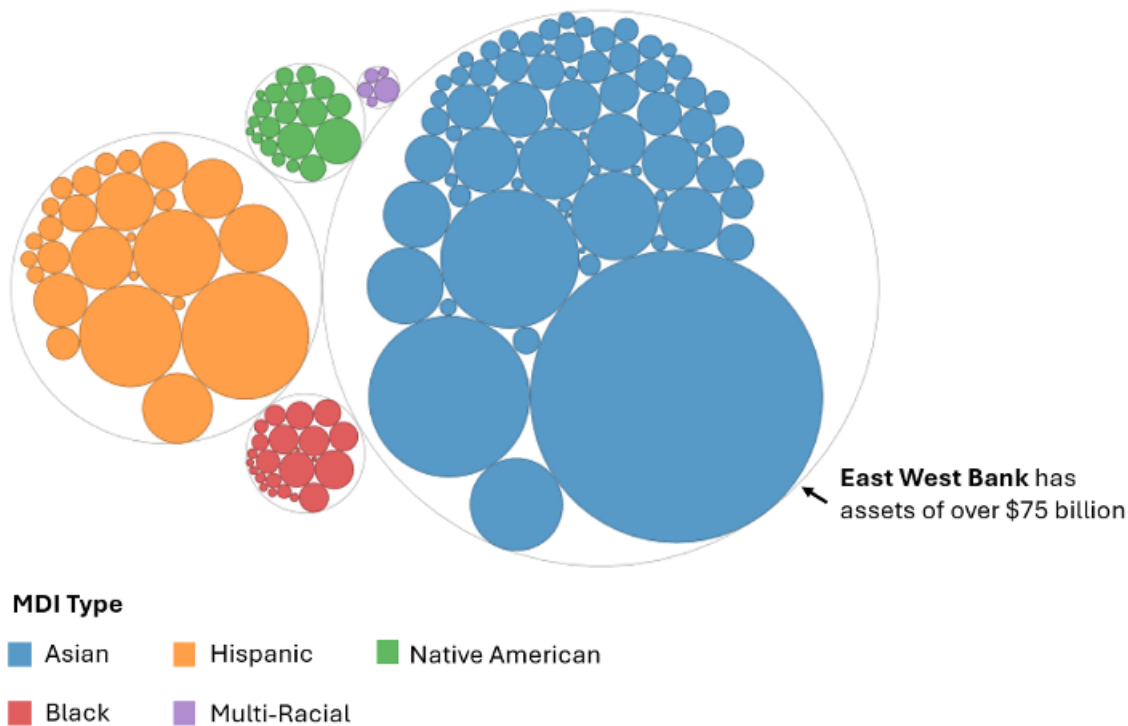
¹ Data as of June 30, 2025. This includes six banks headquartered in U.S. territories. See the FDIC MDI Program webpage for more information: <https://www.fdic.gov/minority-depository-institutions-program>

² Ibid.

³ Analysis throughout the rest of this report, unless otherwise noted, uses FDIC data as of December 31, 2024 and consists of banks headquartered (and branches located) in U.S. states and Washington, D.C. Branch locations are restricted to public-serving locations – administrative and loan production offices, for example, are excluded.

The median MDI has assets of \$475 million (see Figure 2), but asset size varies across the sector. By MDI type, median asset size is \$845 million for Hispanic MDIs, \$567 million for Asian MDIs, \$349 million for Native MDIs, \$201 million for Black MDIs, and \$185 million for multi-racial MDIs.

Figure 2: MDIs by Type and Asset Size



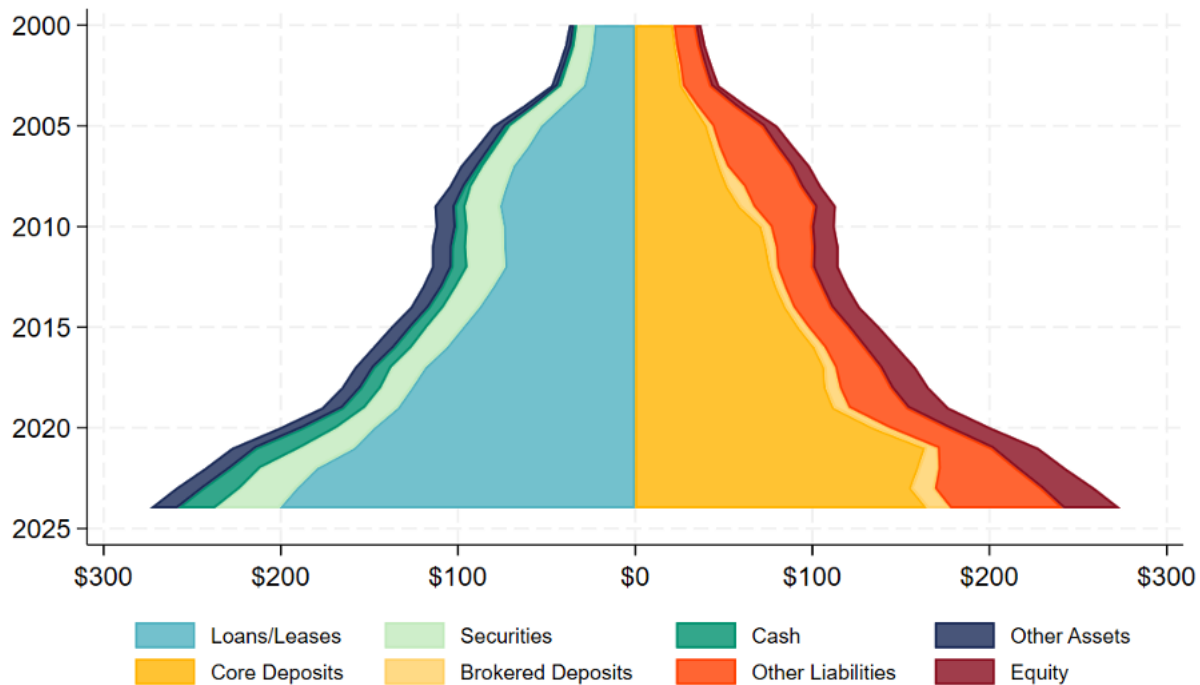
As Figure 2 illustrates, by asset size the largest individual MDIs are Asian and Hispanic. Asian MDIs have the largest share of overall MDI assets (71%), followed by Hispanic MDIs (22%) and then Black and Native American MDIs (both 3%).

This variation reflects the wide range of minority communities across the country, underscoring that communities of color are not monoliths but face unique opportunities and challenges shaped by their specific experiences.

The National Bankers Association advocates for policies that grow all MDIs but remains particularly committed to facilitating investment in communities with disproportionate need for capital and credit. For example, this year, we held a [Native American Banking Symposium](#) in Oklahoma that showcased our [new research on the Native MDI sector](#) and called for increased investment in Indian Country from government, philanthropy, and the private sector.

At year-end 2024, MDIs in U.S. states and Washington, D.C. held nearly \$274 billion in assets, a year-over-year increase of 5.6%. Net loans and leases (\$201 billion) grew by 5.1%, while deposits (\$227 billion) and bank equity (\$32 billion) increased 7.7% and 7.4%, respectively (see Figure 3 below).

Figure 3: MDI Sector Assets, Liabilities, and Equity (in billions)



The capital injection in recent years was largely driven by anomalous events. Core deposits spiked at the beginning of the COVID-19 pandemic as people sought financial security and lockdowns limited consumer spending. Racial justice initiatives, meanwhile, spurred federal and corporate investments.

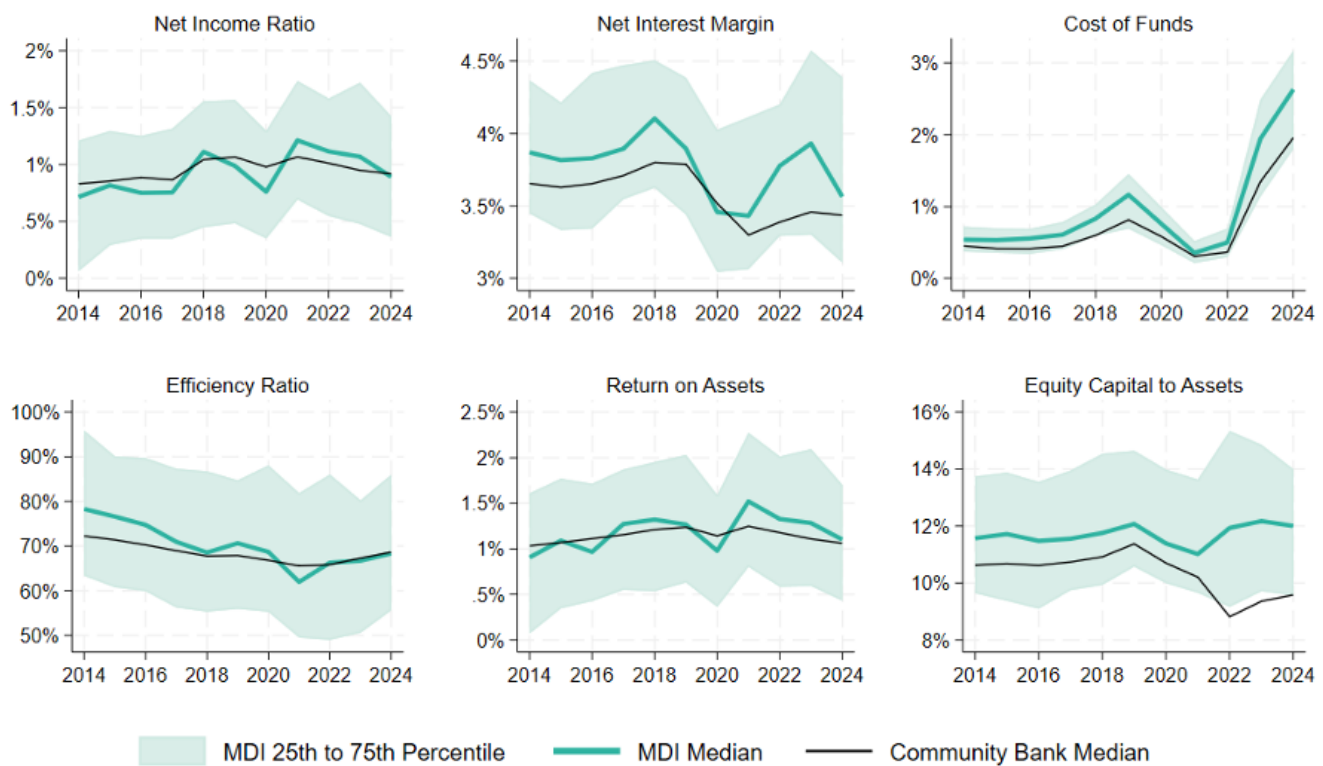
Despite the recent growth, MDIs hold only 1.1% and 1.2% of total U.S. assets and deposits, respectively. Economic headwinds and political backlash have led to a pullback in some opportunities, which MDIs must navigate while continuing to focus on their daily operations.



Financial Performance

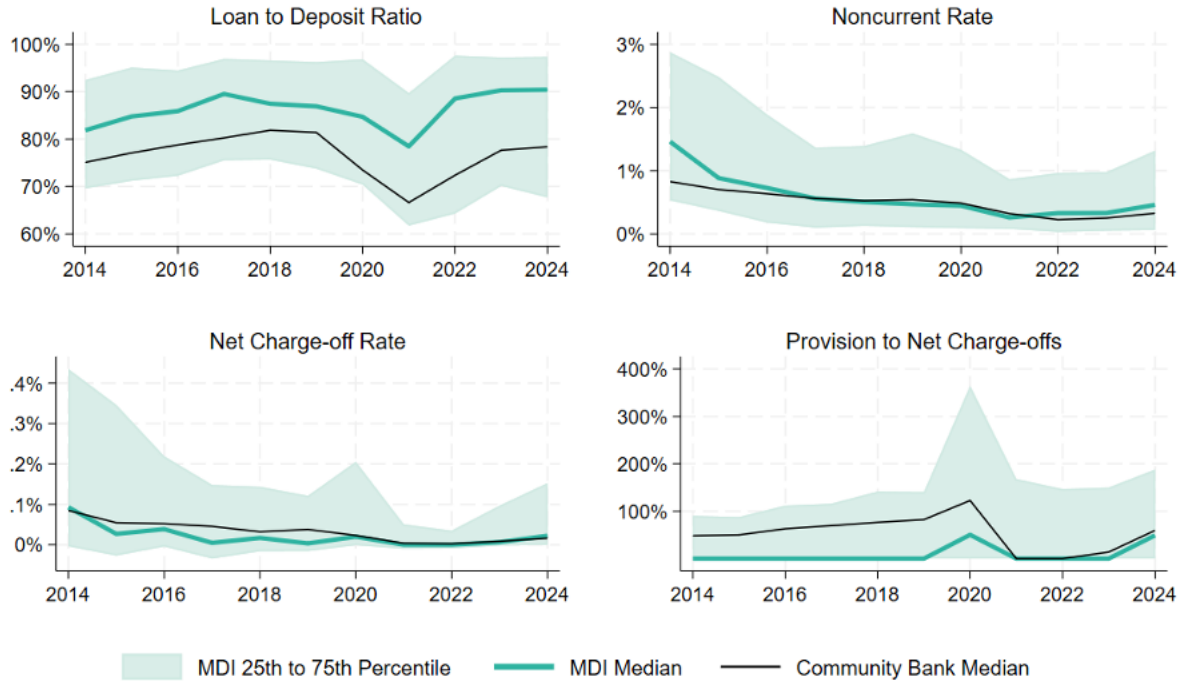
Across the MDI sector, net income in 2024 was down \$130 million (3.7%) year-over-year, driven by an increase in provision expenses and a fall in net interest income. MDIs, like all U.S. banks, are contending with a significantly higher interest rate environment after an extended period of low rates (see Figure 4). Non-interest income increased 3.3% from the prior year while non-interest expenses were up 0.6%.

Figure 4: Bank Performance and Condition Metrics



As a result, the efficiency ratio is creeping up at many MDIs. Pretax return on assets (ROA) is down, with 15% of MDIs reporting negative pretax ROA in 2024. The figure above, however, demonstrates that MDI sector performance is broadly on par with peer community banks across most metrics. Total equity capital for the sector increased \$2.2 billion (7.4%), and 84% of MDIs saw a year-over-year increase in equity capital.

Figure 5: Loan Performance Metrics



Across the U.S. banking sector, the loan to deposit ratio fluctuated sharply during the COVID-19 pandemic, falling at the onset of the pandemic before increasing due to pent-up consumer demand. More recently, lending activity has moderated vis-à-vis core liabilities. Regulators and analysts are keeping a close watch on **increasing consumer credit delinquencies**, but as of year-end 2024 MDIs were not seeing a marked difference in loan nonperformance. Notably though, banks have been increasing their loan loss provisions.

MDIs face the same economic uncertainty as the full banking sector, but typically without the deep resources other banks have to draw on. Community banks rely on community wealth to operate, highlighting the importance of impact investments for mission-driven MDIs that predominantly serve low- and moderate-income customers.



Community Impact

Consistent with previous research, we find that MDIs continue to locate in and serve communities with unique needs. As the table below shows, zip codes with an MDI present have higher average shares of minority and foreign-born residents than the country as a whole.⁴ Immigrant-serving MDIs provide essential services that bring people into the financial mainstream, ensuring that they can participate in and contribute to the broader economy. For example, at Ponce Bank – which was **founded in 1960 in The Bronx by migrants from Puerto Rico** – most bankers are bilingual in English and Spanish, and employees collectively speak over a dozen additional languages.

Table 1: MDI Community Demographics

	National Benchmark	MDI Communities
Minority	42%	65%
Foreign-Born	14%	25%
Poverty Rate	12%	16%
Expanded Poverty	16%	20%

We also find that MDIs continue to serve communities with greater rates of financial hardship. MDI zip codes on average have both a higher poverty rate than the national rate and a higher expanded poverty rate, which captures those above the federal poverty level but still in an economically fragile condition.

MDIs provide much needed capital and credit access in these traditionally underserved markets. Recent exciting projects include a transition project by Optus Bank to fund affordable housing for seniors and veterans in South Carolina, a partnership with CityFirst Bank and Momentus Capital to provide loans to minority-owned businesses in Southern California, and a partnership between Carver Federal Savings Bank and New York Green Bank that supplies low-cost capital for decarbonization projects throughout the state.

In addition to impact lending, MDIs deploy thousands of dollars in philanthropic grants, provide technical assistance and training for nonprofits and small businesses, and conduct financial literacy seminars in schools and prisons.

Workforce Contributions

MDIs are not only in the community but typically of the community as well. Employees live in the same neighborhoods and send their children to the same schools as their customers, and their spending circulates within the local economy.

Through a collaborative initiative of the National Bankers Association and Fiserv, in partnership with Lunum, we examined the direct impact MDIs have as employers on the local workforce.⁵ Using impact accounting methodology, Lunum evaluated 11 participating MDIs on dimensions including salary and wages, advancement opportunities, employee well-being, and workforce stability.

⁴ Zip code demographic data is from the Census Bureau's 2023 5-year American Community Survey.

⁵ See the published report. <https://www.nationalbankers.org/lunum-research-report>

MDIs scored **above average in many impact-related statistics**, performing better than their financial industry peers in overall BrightStar Score. MDIs are significantly better at fair wage practices, scoring **39 points higher** on average than their peers within the commercial banking industry on the BrightStar Wage Quality Score. This suggests that MDI compensation practices are more equitable, and MDIs are, overall, more effective at ensuring fair pay for their employees. This strength also carried through to attrition and retention statistics, with an overall **BrightStar Retention Score 3+ points higher** than their banking peers, demonstrating workforce satisfaction and operational efficiency.

At the same time, the data indicates that MDIs are often unable to pay the same level of employee benefits as some of their peers. These results highlight how MDIs are delivering outsized impact relative to peers, while also showing the potential to further strengthen employee well-being in ways that will help improve MDI community, sustain individual missions and amplify long-term outcomes.

These findings underscore the multi-faceted ways in which MDIs participate in their local economies, serving as community anchors even in areas where job opportunities can be limited.

MDIs as an Alternative to Alternative Credit

Previous National Bankers Association research demonstrated that communities with at least one MDI branch present have better credit health – as measured by factors like credit score, total credit available, credit utilization, and delinquency rates – relative to demographically similar communities that do not have an MDI branch.⁶

Access to credit is fundamental for financial health. Mainstream credit such as a bank loan or credit card allows people to finance large purchases, cover unplanned expenses, and invest to build wealth. And while researchers consistently find sizeable racial disparities in credit health and access, most people are still able to access minimally sufficient credit through mainstream channels.

Some, however, opt for alternative credit. These products – such as payday, pawn shop, or auto title loans – are part of the broader alternative financial services ecosystem that exists on the fringes of mainstream banking. Characterized as short-term, high-cost, small dollar loans, alternative credit is deeply polarizing.

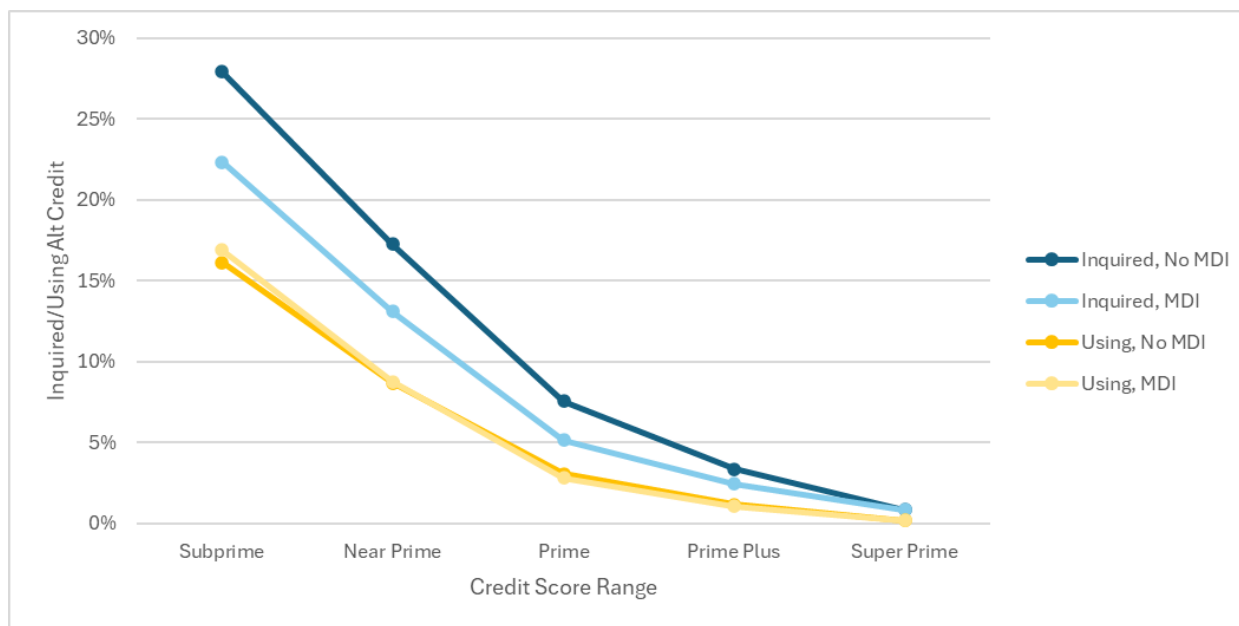
Using credit data from TransUnion covering 58 million people in 7,140 zip codes that either contain MDI branches or match demographically with MDI communities across the country, we found that 17% of people in this sample have expressed interest in using alternative credit.⁷ This includes:

- 11% who have inquired about using alternative credit,
- 6% who have used or are currently using alternative credit, and
- 4% who have currently open alternative credit products.

Those interested in alternative credit have poorer credit scores and poorer credit health more broadly. In fact, the likelihood of alternative credit interest is much higher for those with the poorest credit scores, and decreases as credit scores improve (see Figure 6 on next page).

⁶ Barr and Pietro. (2024). "The State of MDIs – 2024." National Bankers Association. <https://www.nationalbankers.org/research-the-state-of-mdis-2024>

⁷ This section is adapted from the recent NBA report Credit in Context: Profiling Alternative Lending Use in MDI Communities.

Figure 6: Alternative Credit Interest, by Credit Score and MDI Presence

While it is indisputable that alternative credit use drops sharply as credit scores improve, we cannot establish causality – it is possible that poor credit scores lead to alternative credit use, alternative credit causes poor credit scores, or some third factor results in both outcomes.

Similarly, **MDIs appear linked to modest declines in alternative credit inquiries, especially in majority minority neighborhoods**, although again, we cannot assert that MDIs are causing this lower alternative credit interest. Something about these neighborhoods though, and the people living there, is resulting in modestly lower odds of considering alternative credit. Still, at some point the presence or absence of an MDI stops bearing any relationship to both credit scores and the decision to use alternative credit. This may represent a subset of people who would use alternative credit regardless of their options or might have such poor credit health that mainstream banking – even with an MDI – is no longer an option.

Our analysis of mainstream and alternative credit health broadly contradicts the stereotype of alternative credit users as either financially irresponsible or victims of perpetual debt cycles. Instead, it seems that the typical user is someone who needed to cover a one-time expense and was unable to get sufficient mainstream credit, in large part due to their poor credit history. Alternative credit does not appear to be preferred, since using it does not become a habit.

Mainstream small dollar lending products are a better alternative, but are costly for banks to offer, and especially to those with subprime credit. Ongoing innovation and regulatory support ensure that MDIs can continue reaching out to those most vulnerable to predatory lending, keeping hard-earned funds within the households and communities that need them most.

Lending Analysis

As in past State of MDI reports, we analyzed the lending of several NBA member banks. Loan-level data is typically not publicly reported due to privacy constraints, but is valuable for understanding where investments and impact are occurring.

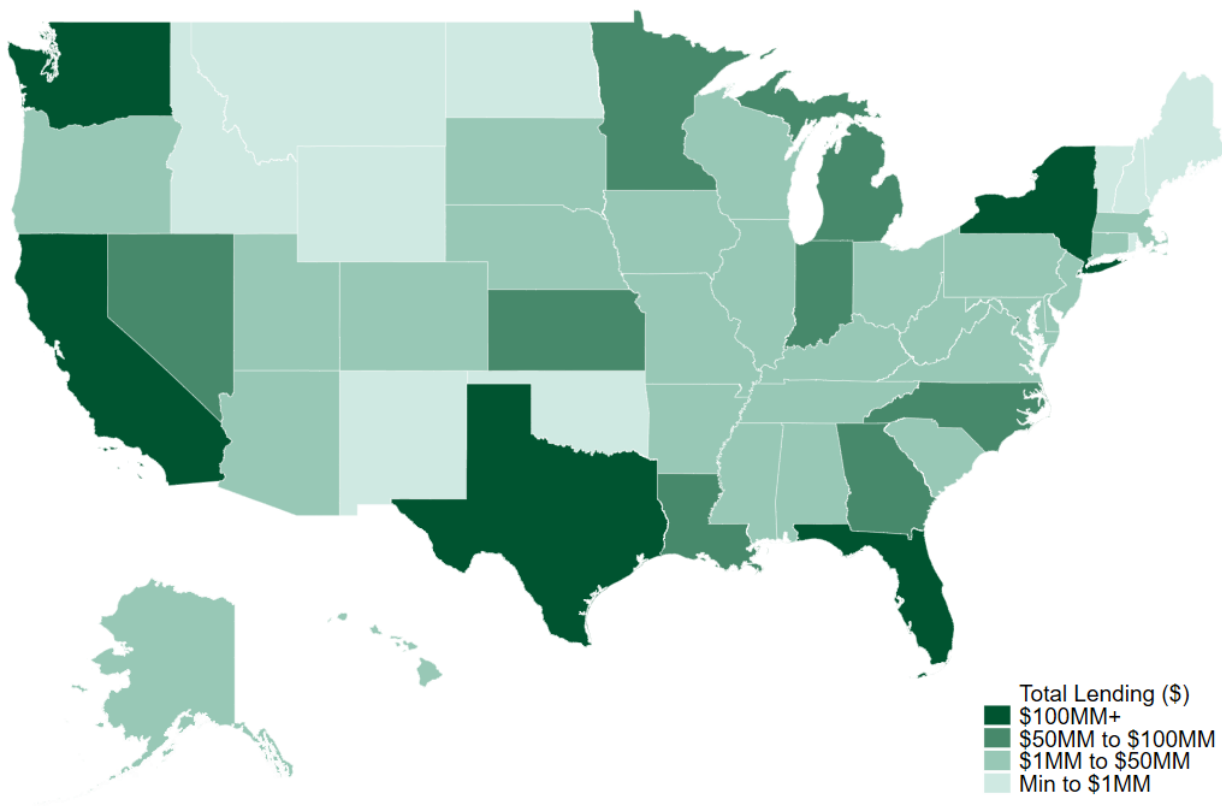
The 2024 lending sample consists of 15 banks, or approximately 10% of MDIs. These banks collectively hold assets of \$13.4 billion (4% of all MDI assets). The median asset size is \$730 million, but bank assets range from \$100 million to over \$3 billion. Black MDIs are a majority in this year's sample. MDIs in our sample operate almost 100 branches across 22 states; while a majority of branches are located in the South, each region of the country is represented.

2024 Lending

In 2024, our sample banks originated over 6,800 loans worth more than \$2.6 billion. The largest loans were in the tens of millions, but only 7% of loans were for \$1 million or more. Meanwhile, almost 40% of loans were for \$1,000 or less.

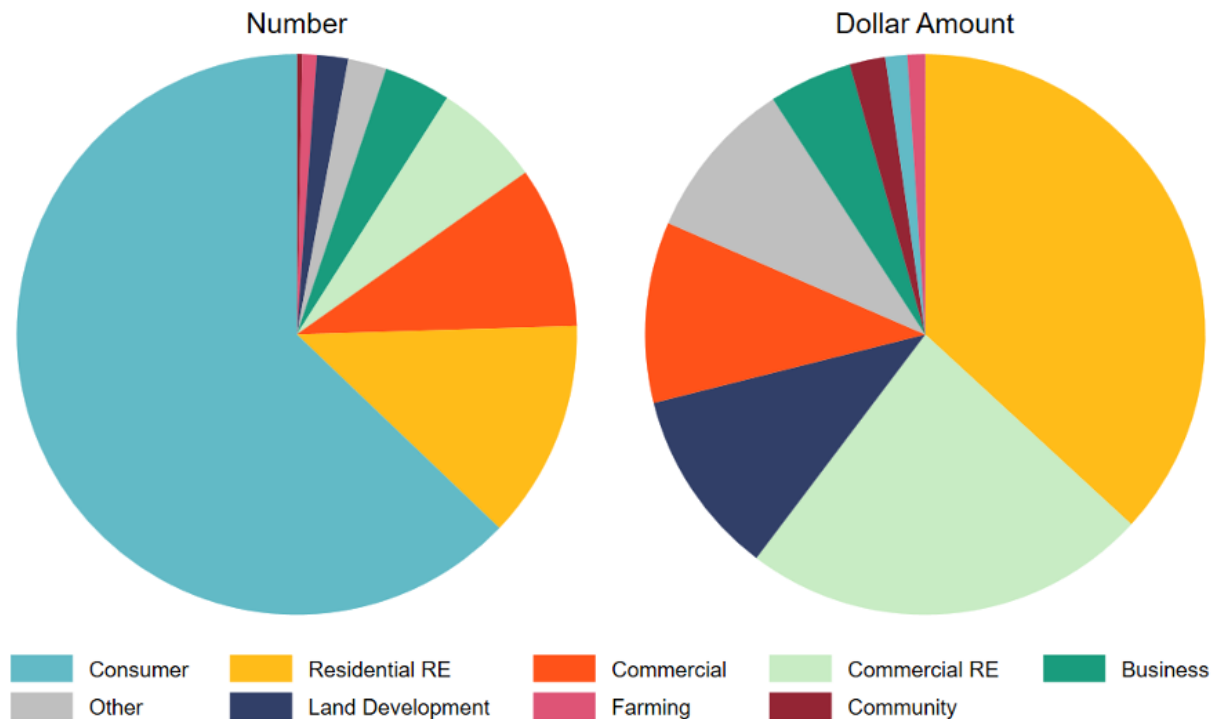
Lending occurred in every state and Washington, D.C. (see Figure 7). Like previous years, Texas accounted for the greatest share of lending in both number of loans and total dollars. Texas, California, Washington, New York, Florida, and Washington, D.C. all received over \$100 million in lending.

Figure 7: Total Lending by State



Also similar to past years, a majority of originations were for consumer loans (63%), although consumer lending was only 1% of total dollars (see Figure 8). Consumer lending typically consists of small dollar loans that cover emergencies or other personal expenses and importantly can be a substitute for alternative credit products, as discussed in the previous section.

Figure 8: Loan Type, by Number and Dollar Amount



Residential real estate (RE) lending was the largest share of total dollars (37%) and the second most common loan type (13%). Combined, residential real estate, commercial real estate, and land development accounted for close to \$1.9 billion (71% of total lending), although only 21% of originations. This reflects the significantly larger size of real estate, construction, and land development transactions. These trends are broadly consistent with previous years.

Lending Community Demographics

Similar to past research, we proxy socio-demographic information at the zip code level. As the figure below illustrates, 64% of lending dollars (and 76% of the total number of loans) in this year's sample went to zip codes with a greater minority share than the overall national share. Meanwhile half of lending dollars (and 60% of the total number of loans) went to zip codes with higher poverty than the national rate.

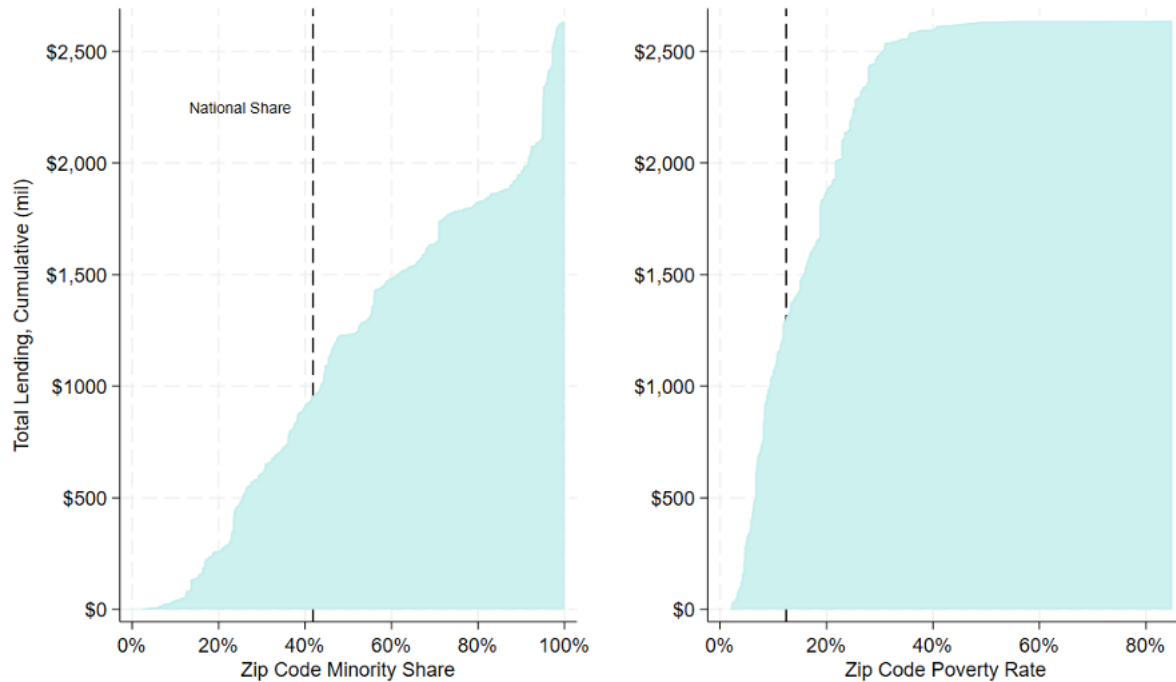
Figure 9: Cumulative Lending, by Zip Code Minority Share and Poverty Rate

Table 2 shows that there is some variation in average community demographics by loan type. Notably, both average minority shares and expanded poverty rates are well above the corresponding national benchmarks for each loan type category, with the exception of farming loans.

Table 2: Loan Types and Demographics

Loan Type	Number	Dollar Amount (mil)	Minority Share	Expanded Poverty
Consumer	4,321	\$ 33	66%	22%
Residential RE	867	\$ 973	67%	22%
Commercial	640	\$ 276	59%	19%
Commercial RE	425	\$ 619	62%	23%
Business	264	\$ 127	72%	25%
Other	153	\$ 247	77%	22%
Land Development	124	\$ 284	83%	21%
Farming	57	\$ 27	21%	15%
Community	22	\$ 54	71%	27%

**Note, the national minority share is 42% and the national expanded poverty rate is 16%.*

2024 lending is overall consistent with past years' activity and indicates that MDIs remain committed to their core mission of providing financial access to the underserved.

MDI Leaders Survey

To measure more qualitative aspects of MDI sector health, we conduct an annual MDI leaders survey that queries bank executives on their perspective of economic conditions, strategic priorities, and other opportunities and challenges.

Drawing on the January 2025 survey and follow-up discussions at the summer MDI Leadership Retreat, we found that:

- **Economic confidence was strong at the start of the year, but has since declined.** Going into 2025, 89% of surveyed banks were either very or somewhat confident about the national and local economy. Confidence has lowered with the recent turmoil in national policy, however.
- **Measured growth ambitions.** 78% of respondents aim to move into the next asset size band, but leaders emphasized smart, sustainable growth over rapid expansion.
- **Technology tops the investment list.** Upgrading customer-facing digital channels is the leading priority (89%), followed by staff development and branch expansion (each 37%).
- **Liquidity, tech costs, and talent are pain points.** Liquidity pressures (63%), technology implementation costs (58%), and persistent talent shortages (37%) constrain plans.
- **AI is seen as a customer-centric tool.** Banks envision early AI use cases in customer service (44%), marketing (25%), and workforce training (19%).

At the beginning of the year MDI leaders cited strong balance sheets and steady local loan demand as drivers of optimism, while declining inflation and the Federal Reserve’s anticipated rate cut path further bolstered sentiment. By early summer, our member banks were far less optimistic, noting tariffs, funding cuts, and concerns over weakening macroeconomic conditions.

As a buffer against this uncertainty, MDIs are performing internal audits and adjusting to local and regional trends. They are developing new ways of creating “whole bankers,” such as through Management Development Programs that combine leadership skills with technical training. And they are investing in technological upgrades that position them to continue reaching new customers while safeguarding their operations.

In all of these endeavors, the National Bankers Association is supporting member banks. While policy changes and macroeconomic conditions will fluctuate over time, MDIs remain rooted in their communities, focused on local development and wealth building.



Conclusion

Community banks have always been the engine driving our nation's growth. As highlighted by journalist Oscar Abello in his new book *The Banks We Deserve*, it was community banks that financed the canals and railroads that powered our early development and bankrolled the landmark commercial real estate projects that still line towns and cities across the country. MDIs are proud community banks that keep this legacy alive, supplying capital for infrastructure, businesses, and households throughout the United States.

Despite political headwinds and uncertainty in the broader economy, MDIs remain committed to their mission and continue to demonstrate their vitality and importance. With sustained support, policymakers, corporate partners, philanthropic foundations, impact investors, and other stakeholders can help broaden the reach and deepen the impact of MDIs. Strategies for supporting the sector include the following:

- Placing low-cost, sticky deposits with MDIs to strengthen liquidity and grow total originations.
- Leveraging program-related and mission-related investments to help large-scale projects mitigate risk and attract more private sector funding.
- Providing technical expertise and technology support for MDIs as they integrate AI and other innovations to reduce costs and better serve their customers.
- Connecting tax credits with federal and state programs like Opportunity Zones to reward investments in MDIs and to incentivize development projects in underserved communities.

The state of the MDI sector remains strong. These mission-driven community banks persist in bringing more Americans into the financial mainstream, providing capital and credit to meet local needs, and ensuring that Main Streets across the country thrive. We invite you to continue partnering with these community banks to ensure that all Americans can experience economic mobility and achieve the American dream.

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