

THE CHANGING FACE OF COMMUNITIES SERVED BY MINORITY DEPOSITORY INSTITUTIONS: 2001-2015

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BACKGROUND

- The purpose of federal support for Minority Depository Institutions (MDIs) is to “promote the economic viability of minority and under-served communities” (FDIC, 2002, p. 1).
- A 2014 FDIC study notes that MDIs tend to serve relatively high-poverty and minority communities, so MDIs are “serving the purpose that this segment of the banking industry was intended to achieve” (2014, p. 34).

INTRODUCTION

- The 2014 FDIC study also concluded that MDIs were healthy, since they rose from 164 to 174 banks.
- This study considers differences in whom MDIs serve and the health of MDIs disaggregated to Asian American-owned banks (AsnBs), Hispanic-owned banks (HispBs), Native American-owned banks (NatBs), and Multi-Ethnically owned banks (MultBs).

CHANGES IN MDI SERVING POPULATIONS

- MDIs may have lost market share as individuals they served switched to mainstream banks with more competitive pricing. The decrease in market share may have been accelerated by the Community Reinvestment Act (CRA) of 1977 (Dugan, 2006), which incentivized all banks to serve disadvantaged communities.

DATA

- FDIC lists of MDIs, 2nd quarters of 2001 and 2014
- **Categories used:** Black-owned or serving banks (BlkB), Hispanic-owned banks (HispBs), Asian American-owned banks (AsnBs), Native American owned-banks (NatBs), and Multi-racially owned or serving banks (MultBs).
- **Exceptions:** MDIs located U.S. territories excluded due to absence of race/ethnicity and poverty data.

DATA (CONTINUED): 2001 VS 2014 MDI BANKS

- Black Owned Banks in 2001 & 2014: 48 fell to 28
- Hispanic owned Banks in 2001 & 2014: 31 rose to 41
- Asian Owned Banks in 2001 & 2014: 69 rose to 85
- Native Owned Banks in 2001 & 2014: 14 rose to 18
- Multiracial Banks in 2001 & 2014: 2 and continued at 2

DATA (CONTINUED): FDIC PROVIDED DATA

- FDIC Summary of Deposits (SOD) data from the 2nd quarter 2001, 2014
- SOD matched to the MDI list to yield the location of deposits

DATA (CONTINUED): WHERE DATA IS DERIVED

- Race/ethnicity and poverty data from the 5% Public Use Microdata (PUMS) data 2000 (long-form census)
- from the 2011 3-year American Community Survey (ACS) data (Ruggles, et al., 2015).
- Only large data sets near in time to 2001 (N~14m) and 2014 (N~6m)

DATA (CONTINUED): GEOGRAPHIC DATA

- U.S. Census Zip Code Tabulation Areas or ZCTAs (U.S. Census, n.d.).
- Zip codes for each MDI office (from SOD data) translated to ZCTAs using Snow's (2014) cross-walk.
- The PUMS and ACS data define populations by Public Use Microdata Areas (PUMAs) within states, which include approximately 100,000 people.
- For each PUMA, race/ethnicity and poverty estimated with individual sample weights.
- The MABLE/Geocorr2K geographic correspondence engine from the Missouri Census Data Center used to allocate PUMAs to ZCTAs, and all data merged.

METHODS: CATEGORIZATION 2001 & 2014

- MDIs for 2014 in 3 categories: survived from 2001, banks existing in 2001 that gained MDI status by 2014, and newly chartered MDIs.
- MDIs for 2001 MDIs in 3 categories: maintain MDI status through 2014, lose MDI status but remain in 2014, and fail or merge by 2014.
- Race/ethnicity and poverty rates for each group are estimated.

METHOD (CONTINUED):

- Race/ethnicity and poverty estimated for each of the 5 types of MDIs, first for 2014 and then for 2001. Should find “population-matched markets” (e.g., BlkBs serving African Americans).

RESULTS: CHANGES IN COMMUNITIES SERVED

Table 1. Race/ethnicity and poverty for communities served by MDIs, 2014, by bank status

Table 2. Race/ethnicity and poverty for communities served by MDIs, 2001, by bank status

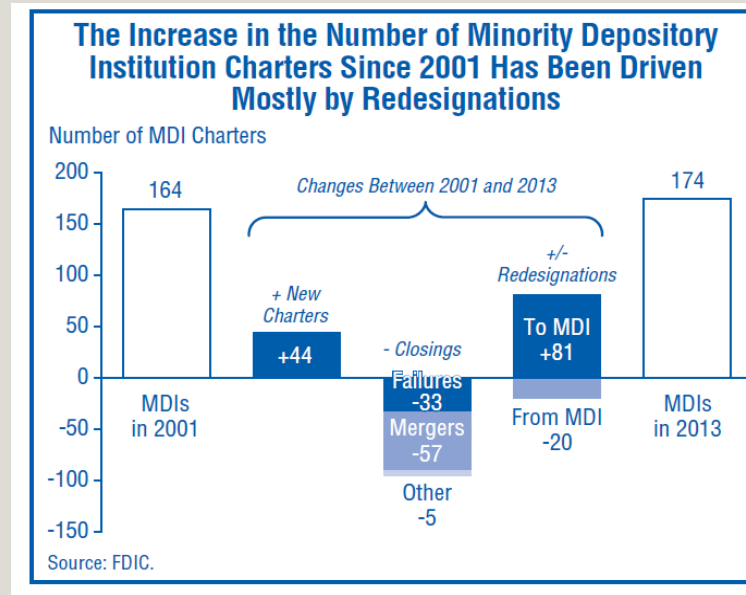
Race/ethnicity, Poverty	Continuing MDIs	Acquired MDI status	New MDI charters	All MDIs ¹
White, NH %	25.8	24.8	27.2	27.0
African American, NH %	11.7	4.3	6.4	10.3
Hispanic %	19.1	22.1	21.3	19.1
Native American, NH %	1.1	0.8	0.4	1.1
Asian American, NH %	6.3	10.0	12.6	6.7
% <100% Poverty	14.0	11.6	11.7	13.5
# Unique zip codes	549	252	113	721

Race/ethnicity, Poverty	Continuing MDIs	Lose MDI status	MDI failed/merged	All MDIs ¹
White, NH %	23.3	27.7	26.6	25.4
African American, NH %	14.3	11.7	11.7	14.0
Hispanic %	17.5	7.8	15.1	16.1
Native American, NH %	1.2	0.3	0.4	1.0
Asian American, NH %	6.2	21.7	8.8	5.9
% <100% Poverty	13.2	12.2	11.2	12.5
# Unique zip codes	381	35	206	538



RESULTS: SHIFT SHARE ANALYSIS

- This paper employs a shift-share tool often used in regional science. The model takes the overall pattern shown in Figure 1, and asks how AsnBs, BlkBs, HispBs, NatBs, and MultBs perform relative to the entire group.



RESULTS: CHANGES IN BLACK OWNED BANKS

- **BlkBs went from 48 MDI's in 2001 to only 28 in 2014. They lost:**
 - 8 banks to failure
 - 11 to mergers
 - 6 to take-overs by mainstream banks
 - 2 re-designations away from BlkB status
 - Gains limited to 2 new charters and 4 re-designations to MDI status.

RESULTS: CHANGES IN HISPANIC OWNED BANKS

- **HispBs rose from 31 in 2000 to 41 in 2014:**
 - Opened 21 newly chartered HispBs, exceeded expectations by 8 banks
 - 7 banks as of 2001 failed, loss beyond expectations of four banks.

RESULTS: CHANGES IN ASIAN OWNED BANKS

- **AsnBs rose from 69 in 2000 to 85 in 2014:**
 - 49 lost to mergers, expect 35
 - 5 lost to failure, expect 2
 - 25 lost MDI status, expect 21
 - 42 converted to AsnBs, overperformed by 7
 - 53 new AsnB charters, expect 30

RESULTS: CHANGES IN NATIVE AMERICAN OWNED BANKS

- NatBs experiences limited changes; changes slight due to small number of NatBs.

CONCLUSION

Communities served:

- Increases in service to Hispanic and Asian American communities
- Decrease in service to African American communities
- Similar coverage of poor communities across time period

Shift share analysis:

- BlkBs disappearing relative to other MDIs
- HispBs grew rapidly
- AsnBs grew rapidly, but with extreme turbulence (62 AsnBs lost by 2014, but only 69 AsnBs as of 2001).
- Changes in the NatBs minimal

CONCLUSION (CONTINUED)

- HispBs and NatBs serve high-poverty and minority communities
- AsnBs serve Asian Americans, but not the poor, and cannot offer stability
- BlkBs serve African Americans in very poor communities, yet half disappeared, and fewer African Americans have access to BlkBs or any MDI compared to 2001
- Efforts to expand BlkBs are warranted

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