National Bankers Association

The State of MDIs 2024

Equity in Action

Charting a Course for Inclusive Banking

The State of MDIs – 2024

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Introduction

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The nation's **149 Minority Depository Institutions (MDIs)** are mission-driven banks that **provide access to credit and financial services to marginalized communities across the United States**.

Per the statutory definition, qualifying institutions are at least 51% owned or operated by minorities. Prior research finds that MDIs originate a greater share of lending to minority and low-income borrowers and communities relative to other lenders.[1]

In this second annual **State of MDI** report, we provide updated statistics documenting changes in the size, scale, and characteristics of the sector and the communities MDIs serve. We also examine 2023 lending data from a sample of MDI banks, exploring the characteristics of the places that received loans and highlighting a couple of qualitative impact stories. Finally, we share survey data and qualitative insights from several MDIs that participated in our annual strategic planning retreat.

[1] *Barr, Romer, et. al. (2024). "The Social Impact of MDI Mortgage Lending." National Bankers Association. https://www.nationalbankers.org/the-social-impact-of-mdi-mortgage-lending*

Topline findings from our analysis of the overall MDI sector include the following:

149

There are currently **149 MDI banks**

>

$355B

holding more than **$355 billion** in assets

>

$475M

with the **average MDI holding $475 million** in assets as of Q2 2024.

Total MDI assets have increased

- **90%** since 2014 (ten years ago)
- **42.8%** since 2019 (pre-pandemic era)
- **1.7%** since 2023

MDI deposits have increased by **46.5%** since 2019.

MDIs operate more than **1,500** Branches across **43** States and territories representing **a jump from 32 states** and territories in 2022-2023.

More than 58 million people live in zip codes with MDIs present, representing roughly 17% of the total U.S. population.

On average, across all zip codes with an MDI branch, **69.8% of people are minorities,** compared to the total U.S. population, of which 41.7% are minorities.

The typical MDI is in a zip code with a poverty rate of 16% (nearly five percentage points higher than the national rate), and **15% of MDI branches are in a persistent poverty county** versus only 4.5% of non-MDI bank branches.

Communities with an MDI present have better credit health – as measured by factors like credit score, total credit available, and credit utilization rates – relative to demographically similar communities that do not have an MDI present.

Topline findings from our analysis of the lending sample include the following:

The **14 banks** in the sample **deployed $1.5 billion** in loan originations in more than **2,000 zip codes** in 2023.

Consumer loans accounted for the majority of loans (67%), while residential and commercial real estate together accounted for the majority of loan dollars (53%).

56.8% of the population is minority in the zip codes that received lending dollars, and more than **60%** of loans flowed to majority-minority zip codes.

54% of loans went to zip codes with higher poverty rates than the national rate.

Topline findings from our 2024 Survey of 20 MDI Leaders include the following:

89% of surveyed members are either very confident or somewhat confident about the economy, and **85.7%** are very confident or somewhat confident about their bank's growth prospects.

96% of surveyed MDIs identified digital banking services as a key growth area, and **46%** identified launching new products and services.

Key challenges identified by surveyed MDIs include **retaining staff, costs of implementing new technologies, and risks around mitigating fraud and protecting consumers.**

The MDIs continue to engage their communities, particularly by sponsoring local events and partnering with local community organizations. **The MDIs plan to expand community impact** through more financial literacy workshops and an emphasis on financing affordable housing and providing more small business lending.

Our analysis demonstrates that MDIs continue to serve a crucial role in increasing financial inclusion for underserved individuals and communities. As mission-driven banks, MDIs are key institutions in the broader work of closing the racial wealth gap, particularly by providing lending that supports homeownership and entrepreneurship. We remain confident that MDIs and other mission-driven banks will continue to generate substantial impact in the decades to come.

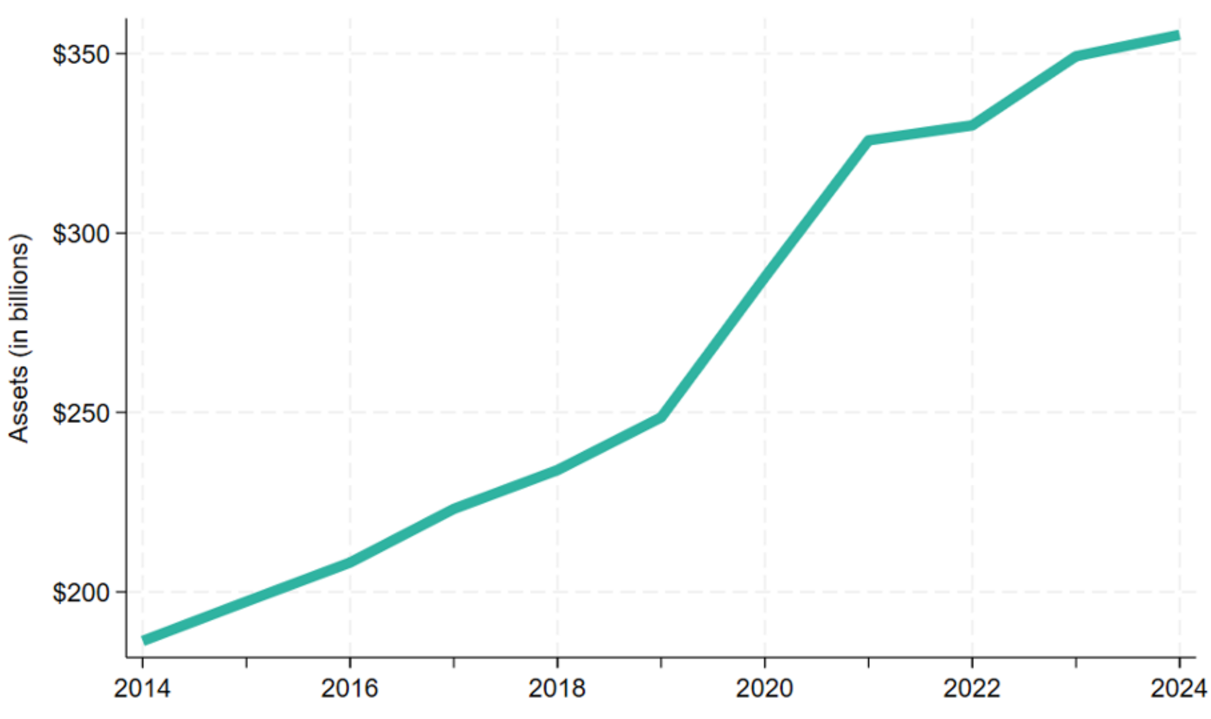
This paper begins by presenting relevant research findings with supporting notes on methodology where appropriate. Finally, the paper provides a brief discussion of the implications of our findings, indicate future directions for research, and concludes with broad recommendations for supporting the MDI sector.

MDI Sector Analysis

As of the second quarter of 2024, there are 149 MDIs recognized by the Federal Deposit Insurance Corporation (FDIC) as minority depository institutions. MDIs currently have $355,255,636,000 in assets, a 90% increase from a decade ago (2014), a 42.8% increase from 2019 (pre-pandemic), and a 1.7% increase from end-of-year 2023.

As we noted in last year's State of MDI report, the substantial increase in assets in the previous four years was largely driven by new investments into the sector, including from the U.S. Department of the Treasury via its pandemic-era Emergency Capital Investment Program (ECIP), as well as from equity investments from several of the nation's big banks. Nevertheless, **while MDIs represent 3.2% of all FDIC-insured banks, they still only hold 1.5% of the total assets in the banking sector**.[2] Put differently, MDIs the would need to double its asset size to be roughly proportionate to its numerical share of the banking sector.

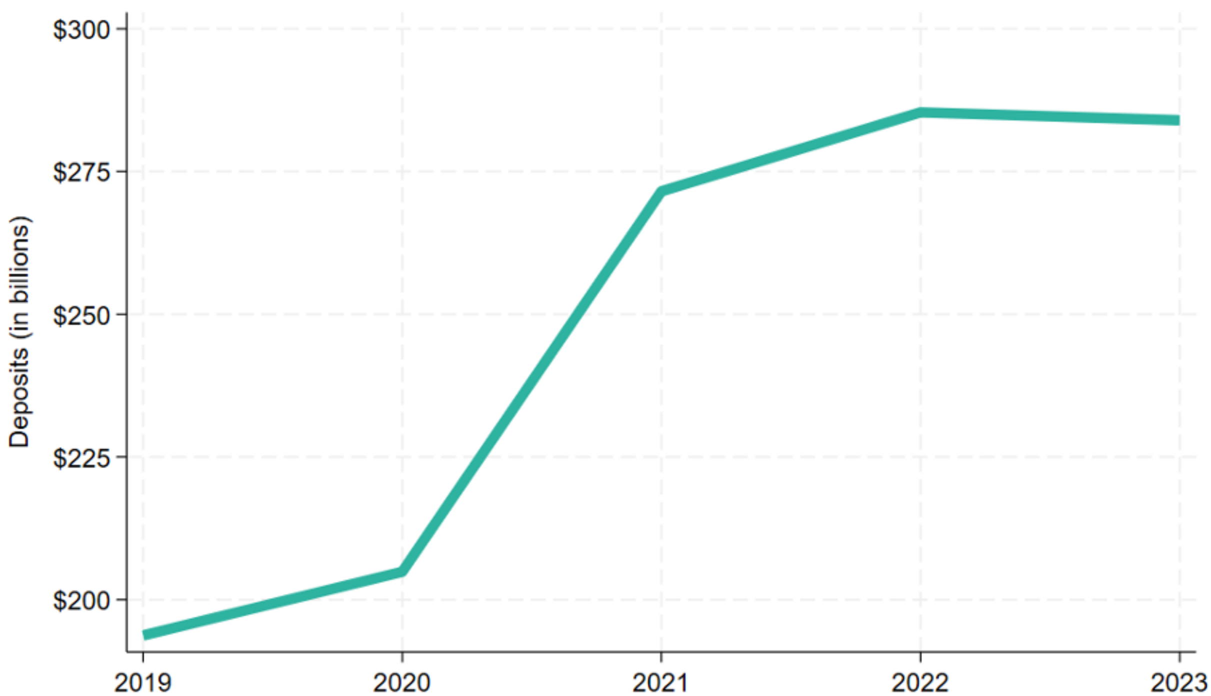
Figure 1: MDI Asset Growth, 2014-Q2 2024



[2] *FDIC list of insured banks: Statistics at a Glance - Latest Industry Trends - 1st Quarter 2024 (fdic.gov) and Federal Reserve Bank of St. Louis data on total assets across all commercial banks: Total Assets, All Commercial Banks (TLAACBW027SBOG) | FRED | St. Louis Fed (stlouisfed.org)*

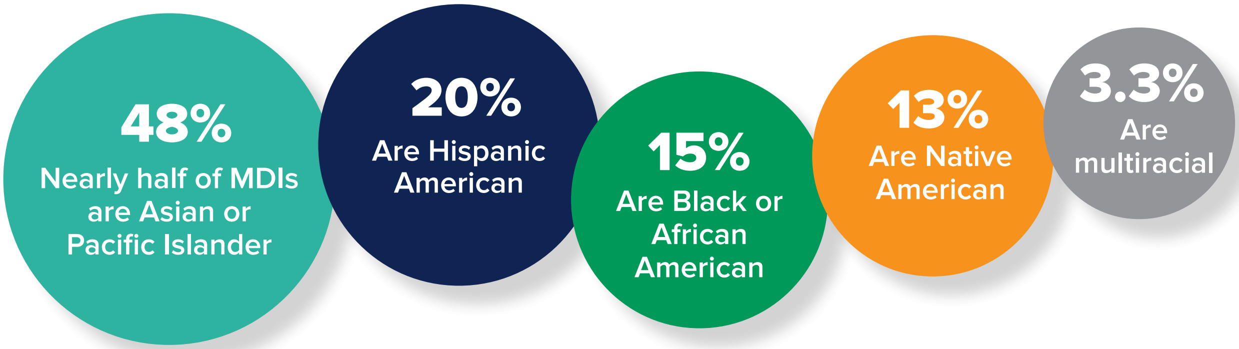
As of the most recent deposit data (Q4 2023), the MDI sector holds nearly $284 billion in deposits, with the median MDI holding $349 million. The collective $284 billion in deposits represents a slight decrease (0.49%) from 2022, a moderate increase from 2021 (4.36%), and a substantial increase from 2020 (27.86%) and 2019 (46.5%). Given the higher interest rate environment beginning in 2022, it is likely that some of the recent decline in deposits represents the effects of competition from money markets, Treasury bills, and other high-yield investment opportunities.[3]

Figure 2: MDI Deposit Growth, 2019-2023



Like with asset size, the MDI share of deposits – representing 1.6% of total deposits in the banking sector – remains below proportionality and would need to double to be in line with its numerical share of the banking sector. Recent initiatives such as the **Economic Opportunity Coalition** are working to help mission-aligned corporations and investors place deposits in the MDI sector to provide them with the needed liquidity to leverage their balance sheet for additional loan origination.

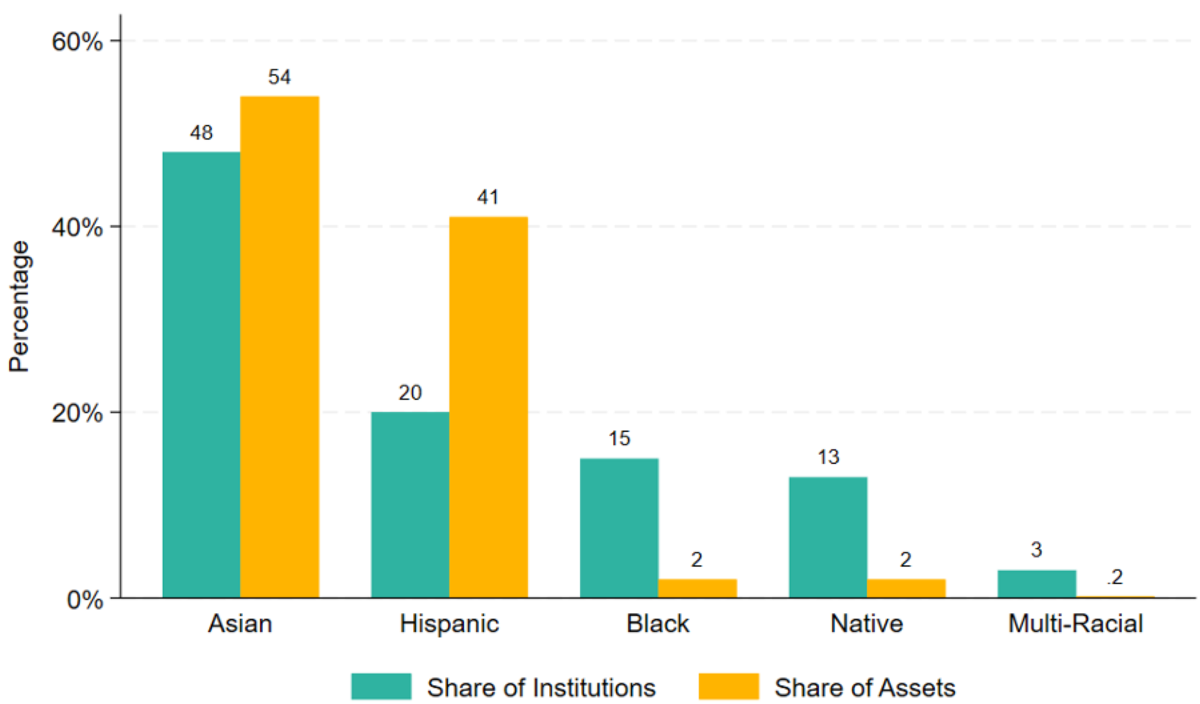
[3] *Harris, Alex. (2023). "Why US Banks Are Hemorrhaging Deposits to Money Funds." Bloomberg. https://www.bloomberg.com/news/articles/2023-03-31/why-us-bank-deposits-are-moving-to-money-market-funds*



As of Q2 2024, roughly half of MDIs are Asian or Pacific Islander (48%), 20% are Hispanic American, 15% are Black or African American, 13% are Native American, and 3.3% are multiracial. While the typical MDI has an asset size of $475 million, median asset sizes vary widely by MDI ownership type: the median asset size for Asian MDIs is $525 million, $205 million for Black MDIs, $626 million for Hispanic MDIs (after removing four banks above $10 billion in assets that otherwise skew the median), $336 million for Native MDIs, and $190 million for multiracial MDIs.

The figure below compares the share of assets held collectively by each MDI type compared with their numerical share. Black, Native, and multiracial MDIs each collectively hold a disproportionally low amount of assets.

Figure 3: MDI Asset Share by Type



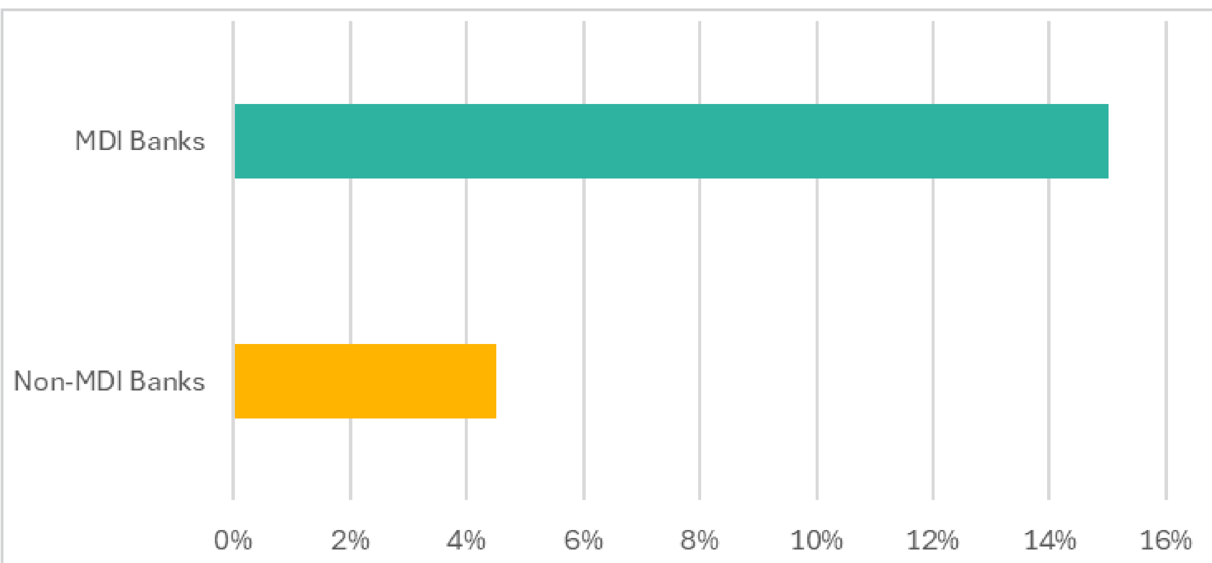
The above graph helps underscore that while the MDI sector itself needs more capital and deposits, this is especially true for Black and Native American MDIs. Partnerships seeking to drive new capital and deposits into the sector should make note of what institutions may have the greatest need as part of their investment or allocation strategy. For example, partnerships should consider specific opportunities for institutions that did not receive Treasury's ECIP capital or equity investments from major banks to ensure there is not a widening gap between undercapitalized and well-capitalized institutions.

Geography Served

As of Q1 2024, there are 1,572 MDI branches, a 3.2% increase from what we reported in our last State of MDI report covering data through 2022.[4] The median MDI has 23 branches. MDIs have branches in 43 states and territories, 484 different cities, and 740 different zip codes. More than 58.6 million people live in zip codes with MDI presence, representing roughly 17% of the U.S. population. It is important to note that the geography of where these banks make loans is more expansive than their physical footprint, as will be illustrated later in the report using the National Bankers Association's proprietary data.

As established in prior research, the zip codes served by MDI branches generally have higher poverty rates and larger shares of minority populations than zip codes served by non-MDI branches. In 2023, the median MDI branch was located in a zip code with a poverty rate of 16%, which was nearly five percentage points higher than the national poverty rate of 11.5%. Moreover, as shown in the figure below, **15% of MDI branches were located in a persistent poverty county – defined as a county which has experienced extreme poverty rates across three or more decades, compared to only 4.5% of non-MDI bank branches.**

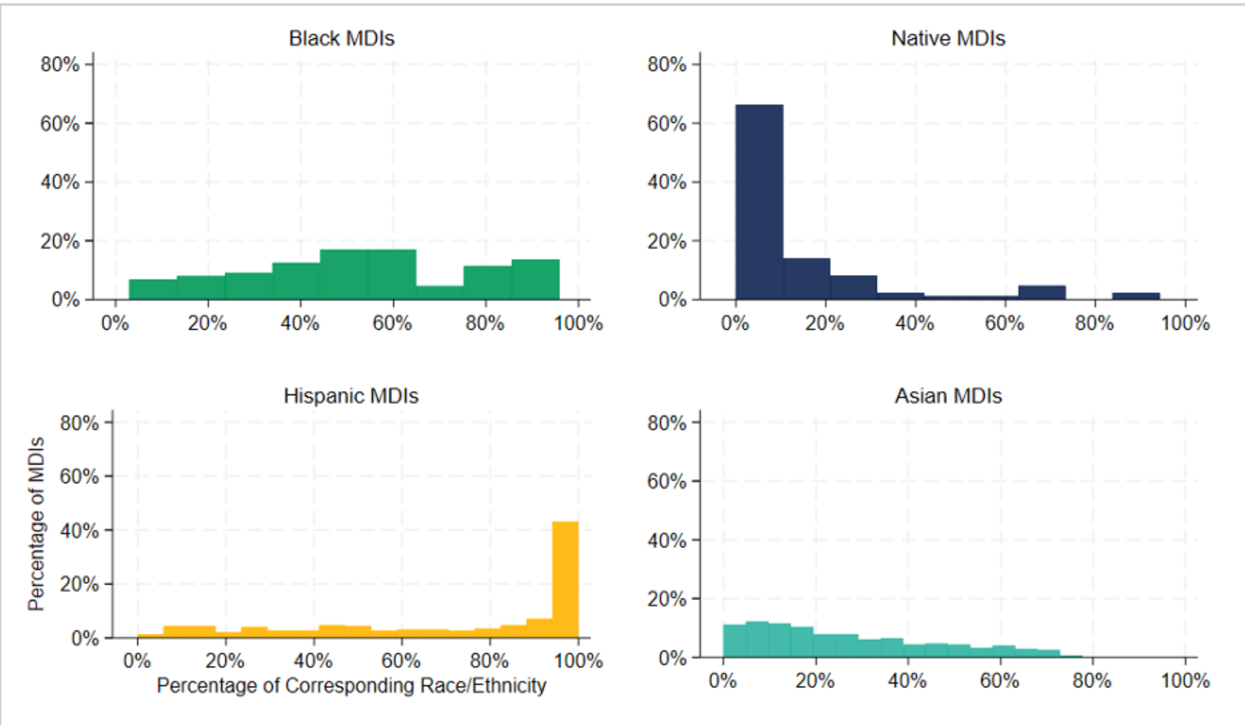
Figure 4: Bank Branch Presence in Persistent Poverty Counties



[4] *Barr and McComas. (2023). "Minority Depository Institutions: State of Knowledge, Sector Summary & Lending Activity, and Impact, 2010 – 2022." National Bankers Association. https://www.nationalbankers.org/research-state-of-mdi-report*

Across all zip codes with an MDI branch, on average, **69.8% of people are a minority, compared to the total U.S. population, of which 41.7% are a minority.** The median zip code minority share is 73.5%. In Figure 5 below, we further explore the share of the minority population in the places served by a particular MDI minority ownership type. For example, the figure depicts the percentage of Black residents in the communities with Black MDIs.

Figure 5: Demographic Concentration by MDI Type



Notably, Black and Hispanic MDIs are particularly likely to be located in places with sizeable corresponding shares of Black and Hispanic individuals. While this is less true for Asian and Native MDIs, it's important to remember that the share of Asian and Native residents in the United States is significantly smaller and that there are very few Native-majority zip codes.

These findings continue to confirm what previous literature has stated regarding MDI presence in underserved communities. Consistent with their mission, **MDIs continue to be located in communities with elevated poverty and greater minority populations.** In the next section, we further explore the characteristics of places with MDI presence by examining indicators of credit health leveraging proprietary data from TransUnion – one of the nation's three leading credit bureaus.

Credit Health in Communities with MDI Presence

Establishing positive credit health is an important prerequisite for accessing capital. Though MDIs excel at relationship-lending and can often look beyond credit scores to consider factors like rent payment history as part of their lending decisions, overall credit health remains an essential component of our current financial system. For example, all lenders are required to consider credit scores as part of the underwriting process for certain loan products such as mortgages.

While credit scoring is applied to individuals, not communities, research demonstrates that **individual credit outcomes often strongly correlate with neighborhood-level characteristics.** A 2019 Federal Reserve Bank of Chicago paper finds that households with subprime credit scores are more likely to be located in places with "a much higher non-white share of the population, weaker labor market outcomes, lower educational attainment, and higher housing vacancy rates."[5] Recent research from the Urban Institute further indicates that systemic inequities manifesting within communities are a causal driver of disparities in individual-level credit scores.[6]

Given that MDIs are disproportionately located in and serve financially vulnerable communities, we explored community-level credit health in places with an MDI presence. Through a research partnership with TransUnion – one of the nation's three major credit bureaus – we compared the credit health of communities with an MDI present versus demographically similar communities without an MDI.[7] We analyzed Vantage 3.0 credit scores and critical variables around the amount of credit available, credit utilization rates, percentage share of delinquencies, and average amount sent to third-party collections.[8] Finally, we also examined the percentage share of "unscorable" individuals across zip code types.

[5] George, Taz, et. al. (2019). "The Geography of Subprime Credit." Federal Reserve Bank of Chicago. https://www.chicagofed.org/publications/profitwise-news-and-views/2019/the-geography-of-subprime-credit

[6] Martinchek, Kassandra. (2024). "Community-Level Racial Inequities in Young Adults' Credit Scores Are Likely Driven by Differences in Wealth-Building Opportunities." Urban Institute. https://upward-mobility.urban.org/community-level-racial-inequities-young-adults-credit-scores-are-likely-driven-differences-wealth

[7] This analysis began with a sample of roughly 7,000 zip codes, which includes both zip codes that have at least one MDI present and zip codes with matching demographic characteristics but no MDI presence. We used Census data to identify zip codes with matching demographic characteristics (e.g., median income, poverty rate, and the percentage share of each major racial/ethnic group). TransUnion then provided anonymized records for all individuals on file in each given zip code; a small number of zip codes were excluded to preserve privacy. Ultimately, we analyzed 9.6 million records covering 6,834 zip codes in 50 states, Washington DC, and Puerto Rico. Of these zip codes, 3,209 (47.0%) have a bank present, 737 zip codes (10.8%) have one or more MDIs, and 152 zip codes (2.2%) have only an MDI but no other bank present. To conduct our analysis, we first produced the average across all individual records provided to us for each given zip code and labeled that statistic the zip code's overall average. This allowed us to compare zip code averages across different zip code types (e.g., those zip codes with and without an MDI present). We chose this methodology for two reasons. First, this allows us to sidestep potential weighting issues deriving from differences in population size and age composition or number of available records. Second, since we do not know individuals' underlying demographic data due to privacy reasons, we wanted the emphasis to be on comparing communities to communities, rather than borrowers to borrowers.

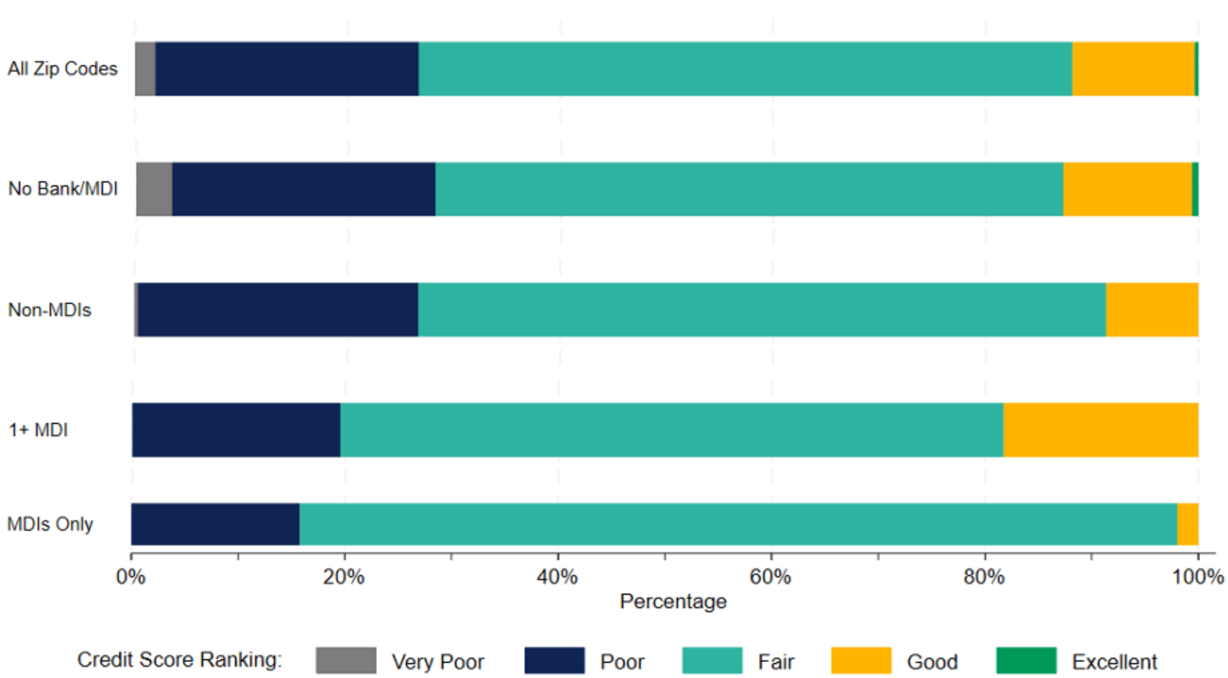
[8] For credit scores, we use VantageScore 3.0: https://www.transunion.com/blog/credit-advice/guide-to-credit-score-factors.

From this analysis, we find that **zip codes with at least one MDI present have slightly higher average credit scores on average** than demographically similar zip codes without an MDI present of 689 versus 680 – a statistically significant difference of nine points. This nine-point difference is also greater than the three-point statistically significant difference between zip codes with at least one bank present (which can include an MDI) and zip codes with no bank present (682 versus 679). Notably, each of these credit score averages by zip code type within our sample is lower than the overall national average score across all scored consumers (699 as of Q4 2023), which is consistent with our expectations since our sample of zip codes is restricted to places with lower income and higher poverty than the national average.[9]

To ensure that outliers do not skew the average and to allow greater visibility into the distribution of scoring across zip code types, we extended our analysis using TransUnion's scoring bands for scores ranging from Very Poor to Excellent.[10]

Figure 6 below shows the distribution across score bands for the zip codes in our study.

Figure 6: Average Credit Score by Bank Presence in Zip Codes



Note: Zip code categories are not mutually exclusive.

[9] *See here for monthly nationwide and state-level score averages: https://www.vantagescore.com/lenders/credit-gauge/*

[10] *See more on details on TransUnion's score bands: https://www.transunion.com/blog/credit-advice/whats-considered-a-good-credit-score*

We find that across all types of banking institutions, a majority of zip codes in our sample had an average credit score ranking of "Fair." Zip codes with MDI presence, on average, avoid credit score extremes, with none of these zip codes having an average of either "Excellent" or "Very Poor." Notably, zip codes with MDI presence have the lowest percentage of "Poor" rankings (19.5% of records in zip codes with one or more/1+ MDIs and 15.8% in zip codes with only MDIs), as compared to other zip codes (24.8% of records for zip codes with no banks/MDIs and 26.3% for zip codes with non-MDI banks only). Further, zip codes with one or more MDIs have the most significant percentage of "Good" rankings (18.3% of records) compared to other zip code types (ranging from 2.0%-12.1%).

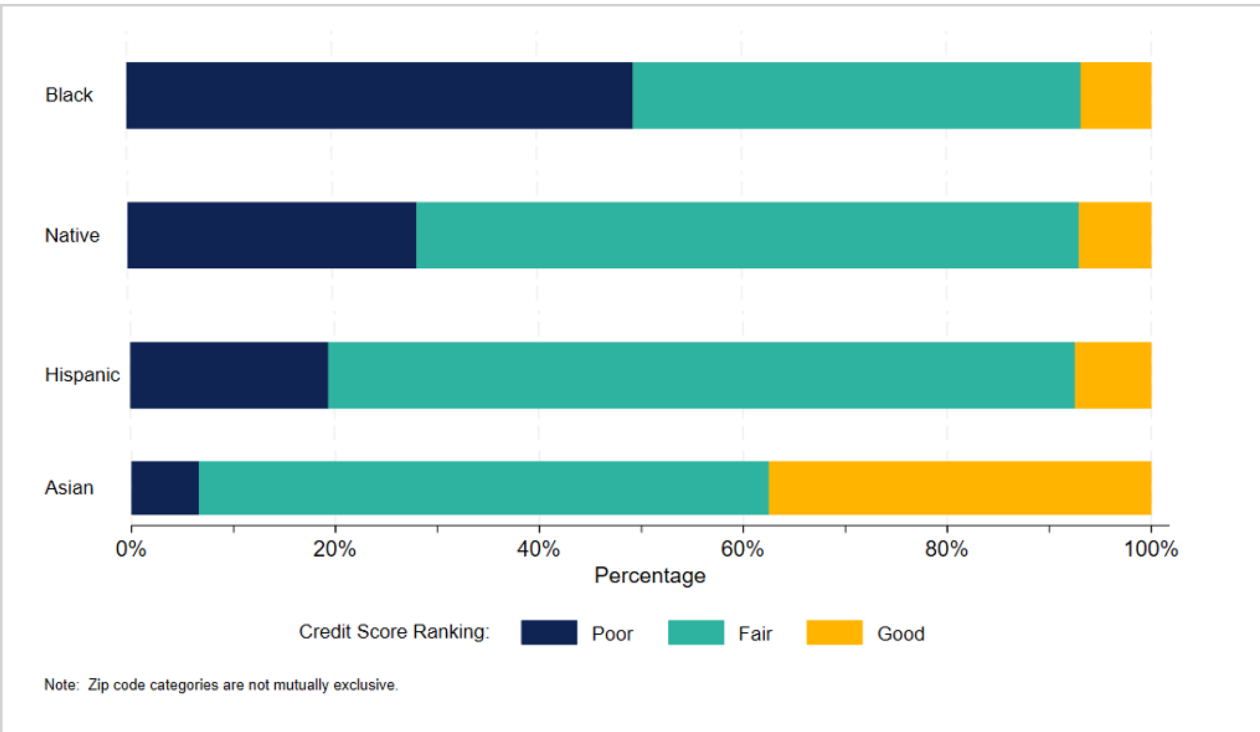
While this analysis cannot answer the question of whether MDIs have a causal positive effect on credit scores, it provides initial evidence that the average person living in a community with an MDI present has a better credit score than the average person living in a similar community that does not have an MDI present. This finding also fits with a finding in last year's report that communities with MDI presence have higher rates of economic mobility than similar places that do not have MDI presence.[11]

In addition to this aggregated view of credit scores by zip code, we also examined average credit scores in zip codes disaggregated by the MDI type and the corresponding minority share – restricted to only zip codes where that racial/ethnic group constitutes a majority. **We find that across all MDI types, the average credit score among majority-minority zip codes with a corresponding MDI type is higher than the average in zip codes where that same racial/ethnic group is a majority but no corresponding MDI type is present.** Specifically, the average credit score is 25 points higher for Asian zip codes (728 versus 703), 13 points higher for Native zip codes (641 versus 628), 6 points higher for Hispanic zip codes (674 versus 668), and 2 points higher for Black zip codes (644 versus 642) – though the differences are only statistically significant in our sample for Asian and Hispanic zip codes.

[11] *Barr and McComas. (2023). "Minority Depository Institutions: State of Knowledge, Sector Summary & Lending Activity, and Impact, 2010 – 2022." National Bankers Association. https://www.nationalbankers.org/research-state-of-mdi-report*

In Figure 7 below, we graph the distribution of zip code averages for zip codes served by each type of MDI. While there are marked differences across MDI types, no MDIs are in zip codes where the average credit score ranking is either “Very Poor” or “Excellent.”

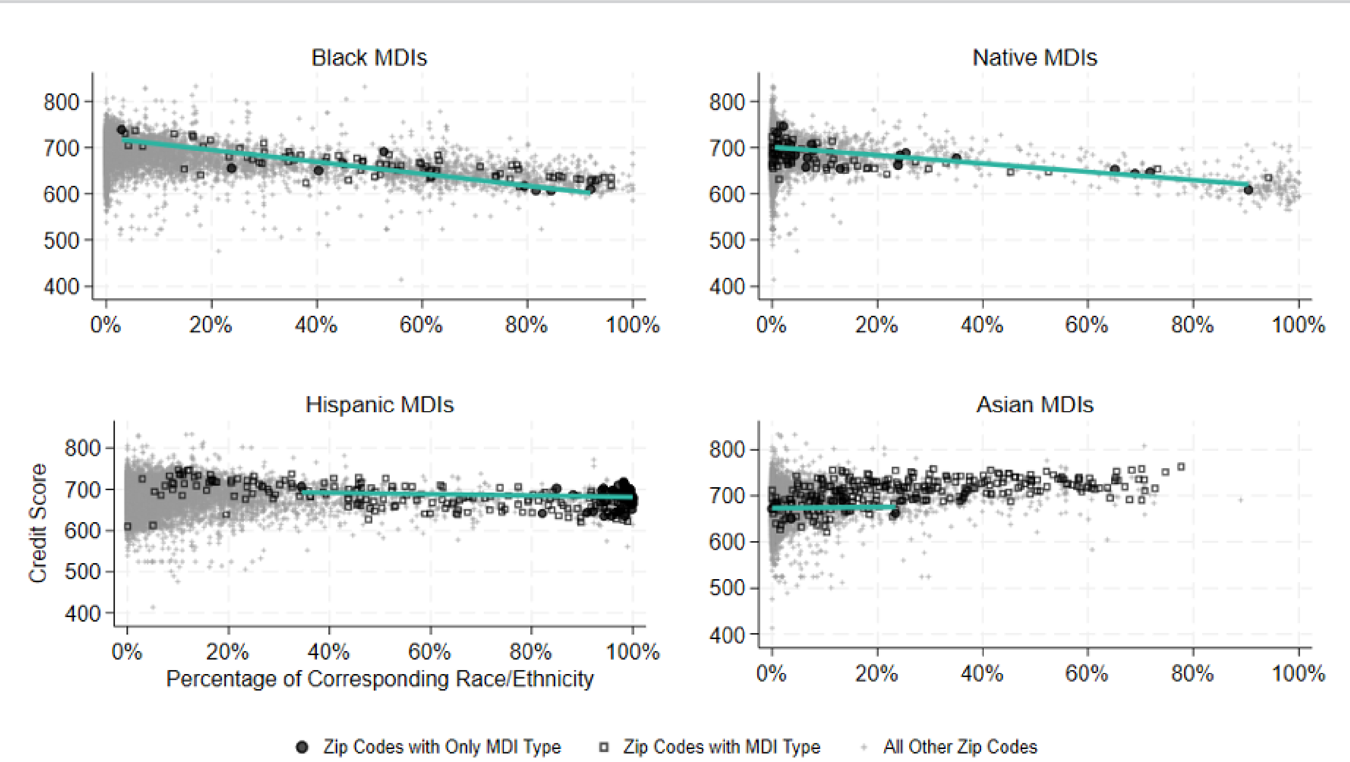
Figure 7: Average Credit Score, by MDI Type



Almost half (49%) of Black MDI branches are in zip codes where the average credit score ranking is “Poor,” followed by smaller shares of Native MDI branches (28%), Hispanic MDI branches (19%), and Asian MDI branches (7%). While the share of Black, Native, and Hispanic MDI branches located in zip codes with an average credit score ranking of “Good” was approximately the same (around 7%), the corresponding share of Asian MDIs in “Good” credit score areas was much higher (38%).

This trend is likely influenced partly by a broader pattern in our sample, in which the average credit score decreases in a given zip code as the percentage of Black, Native, and, to a lesser extent, Hispanic residents increases. Figure 8 below illustrates this pattern while also documenting the dispersion of MDI branches by type across zip codes in our sample based on both the average credit score (vertical axis) and the percentage share of the corresponding minority group (horizontal axis).

Figure 8: Average Credit Score by MDI Type and Zip Code Demographics



Note: Lines are fit to zip codes with only the MDI type. Zip code categories within each graph are mutually exclusive.

Across our sample, the average credit score **decreases** in a given zip code as the percentage of **Black, Native, and, to a lesser extent, Hispanic** residents increases.

While we do not know the underlying race or ethnicity of the individuals in our sample, the previous composition suggests that community-level demographics and credit scores bear a relationship. This dispersion pattern helps explain the variance in credit score by MDI type we reported earlier.

Beyond credit score, we also examined several other factors related to credit health, including the amount of credit available, the percent of credit being utilized, and the percentage of delinquent trades. Table 1 below compares these metrics as the average across zip codes with and without at least one MDI present.

Table 1: Additional Credit Variables

Variable	Average, Zipcodes without MDIs	Average, Zipcodes with 1+ MDIs	Difference
Total credit line of open trades verified in past 12 months	99,078	133,093	34,015
Utilization for open trades verified in past 12 months	54	51	-3
Utilization for open trades verified in past 12 months, ex mortgage/home equity	48	44	-4
Total credit line of open bank installment trades verified in past 12 months	35,628	38,788	3,160
Total balance of open bank installment trades verified in past 12 months	28,237	30,971	2,734
Total credit line of open bank revolving trades verified in past 12 months	25,414	31,419	6,005
Percentage of trades ever delinquent	17	15	-2
Total balance of third party collections verified in past 12 months	560	458	-101

There are three statistically significant findings to highlight from the table above. First, **the average amount of credit (including bank loans and bank lines of credit) is higher in zip codes with MDI presence.** Second, t**he average utilization rate of available credit is lower in zip codes with MDI presence** – which is likely a contributing factor to the better credit scores. Finally, the average percentage of accounts ever delinquent and the average balance sent to third-party collections are lower in zip codes with MDI presence – which likely contributes to better credit scores. Together, these findings suggest **stronger credit health in communities served by MDIs** since the typical consumer in these communities both has access to more credit and tends to manage that credit in ways that help rather than hurt their credit profile. These findings, in turn, fit with the findings around better credit scores since those scores can reflect better management of credit, as better management of credit can lead to better scores.

Finally, in addition to analyzing credit scores and other credit health variables listed above, we also analyzed rates of being unscored. In the literature, two types of people do not show up in credit score data – "credit invisible,"or those who have no information on file with a credit rating agency, and "unscorable," or those who have some information on file but not enough to generate a credit score. By definition, the number of credit invisibles is uncountable but can be estimated. According to the Consumer Financial Protection Bureau (CFBP), an estimated 26 million adults are credit invisible (11% of adults), and another 19.3 million (8.3% of adults) are unscoreable due to a thin or outdated credit file. [12] Predictably, the CFBP also reports that the estimated percentage of invisible or unscoreable adults is higher in low-income neighborhoods (roughly 30% invisible and 15% unscoreable).[13]

[12] *Scarbrough, Michele. (2015). "Who are the Credit Invisible?" CFBP. https://www.consumerfinance.gov/about-us/blog/who-are-credit-invisible/*
[13] *Ibid.*

Approximately 5 million people in our sample were unscorable, or roughly 34% of individuals across all provided zip codes.[14] **Zip codes with MDIs only or one or more MDIs had lower shares of unscoreable records (30.2% and 32.7%) than zip codes with non-MDI banks only (35.1%) and those with no bank/MDI (37.2%).** When disaggregated by MDI type, zip codes with Black MDIs had the highest share of unscorable records (39.2%), followed by zip codes with Hispanic MDIs (32.7%), Asian MDIs (31.5%), and Native MDIs (30.4%).

In summary, our analysis finds that communities with MDI presence have better credit outcomes – measured across credit scores, availability and utilization of credit, and delinquency – than similar communities without MDI presence. These findings fit with similar research from the VISA Economic Empowerment Institute (also based on TransUnion data) that finds that "low-income individuals served by MDIs [as measured by credit card issuance] are more likely to own a home than those served by non-MDIs."[15] Future research in this area should explore if there is indeed causality, and if so, through what mechanisms MDIs might be improving credit health in these communities. Such research could build on the methodologies employed here as well as in research from the Federal Reserve Bank of Minneapolis, which explores the causal impacts of Native Community Development Financial Institutions (CDFIs) on credit scores.[16]

In this section, we demonstrated that MDIs are mission-aligned in their location. In the next section, we use 2023 lending data from a small sample of MDIs to highlight that MDIs are also mission-aligned in where their lending flows.

[14] It is important to note that this is likely a ceiling for the estimated number of unscoreable consumers. While consumers typically show up as unscoreable due to a lack of available information on their credit history (e.g., only an inquiry), in some cases, an unscoreable record is instead because a record exists for a scoreable person that wasn't able to be merged with that person's file. For example, imagine if Jane Doe moves to a different city, marries, and changes her last name to Smith; there may be two credit records that exist, one for Jane Doe (scoreable) and the other for Jane Smith (unscorable) until a new update allows the records to be merged into one (scoreable).

[15] Levy, et al. (2024). "Minority Depository Institutions (MDIs): Examining their support for low-income homeowners and the implications for underserved." VISA Economic Empowerment Institute. communities https://usa.visa.com/content/dam/VCOM/regional/na/us/sites/documents/mdi-examining-support-for-low-income-homeowners.pdf

[16] Kokodoko, et al. (2021). "Native CDFIs improve credit outcomes for Indian Country residents." Federal Reserve Bank of Minneapolis.https://www.minneapolisfed.org/article/2021/native-cdfis-improve-credit-outcomes-for-indian-country-residents

2023 Lending Analysis

MDIs are essential sources of capital for many households and communities nationwide. These institutions provide loans for commercial real estate development, small business creation and expansion, homeownership, and more. In prior research, we examined lending from various MDIs in 2021 and 2022.[17] In this section, we provide analysis of lending in 2023 from a sample of MDIs. All banks in this year's sample are National Bankers Association members and the list of banks includes substantial overlap with the 2021 and 2022 lending samples but is not identical.

Description of Lending Sample

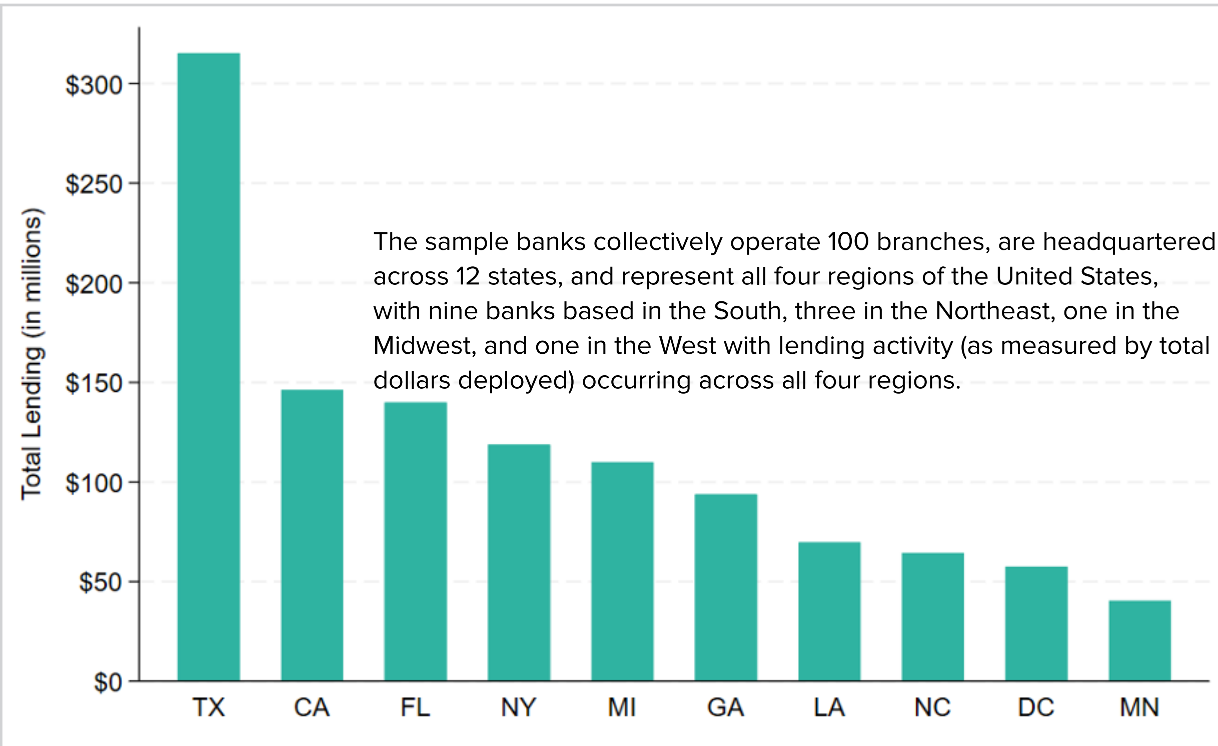
Our 2023 lending sample is made up of 14 banks, or roughly 10% of the total number of MDIs in the sector. The 14 banks collectively hold more than $9.7 billion in assets, representing approximately 3% of the total assets in the MDI sector. The median asset size of banks within our sample is roughly $600 million, which is notably higher than the sector median asset size of $452 million. However, the asset sizes in our sample cover a diverse spectrum, including two banks that are less than $100 million in assets, nine banks that are greater than $100 million but less than $1 billion, and three banks that are $1 billion or more. Our sample includes eleven Black banks, two Hispanic banks, and one Native bank. The sample banks collectively operate 100 branches, are headquartered across 12 states, and represent all four regions of the United States, with nine banks based in the South, three in the Northeast, one in the Midwest, and one in the West with lending activity (as measured by total dollars deployed) occurring across all four regions.

[17] See Barr and McComas. (2023). "Minority Depository Institutions: State of Knowledge, Sector Summary & Lending Activity, and Impact, 2010 – 2022." National Bankers Association. https://www.nationalbankers.org/research-state-of-mdi-report and Barr & Romer. (2023). "Analysis of 2022 MDI Lending." National Bankers Association. https://www.nationalbankers.org/research-analysis-of-2022-mdi-lending

2023 Lending Analysis

In 2023, our sample banks issued 7,460 loans for $1.5 billion in loan originations, with an average loan size of $206,935.[18] As shown in Figure 9 below, Texas received the largest amount of loan dollars, accounting for 20% of loan dollars.

Figure 9: Top 10 States by Total Lending



The sample banks collectively operate 100 branches, are headquartered across 12 states, and represent all four regions of the United States, with nine banks based in the South, three in the Northeast, one in the Midwest, and one in the West with lending activity (as measured by total dollars deployed) occurring across all four regions.

Our Lending Sample Banks

11 Black Banks

2 Hispanic Banks

1 Native Bank

Sample Banks Collectively Operate

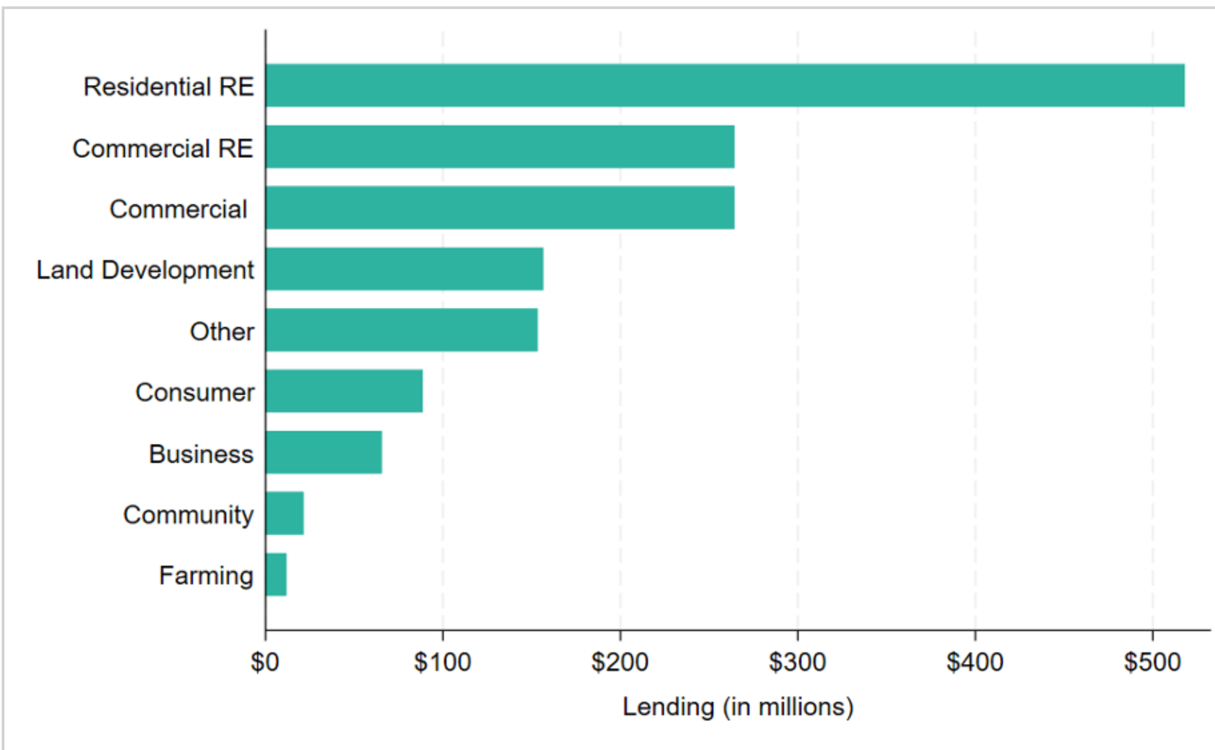
100 Branches **4** US Regions **12** States

[18] *In our analysis, we subsequently dropped 199 loans ($145 million) due to incomplete financial data (such as loan amounts) or geographic data (such as state and zip code).*

Beyond the state view, **lending dollars in our sample flowed to 2,783 zip codes and more than 770 cities.** Nearly 89 million people are living in the zip codes that received lending, reflecting 26.6% of the U.S. population.

In this year's sample, the vast majority of loans were consumer loans. These are typically small-dollar loans to help with emergency expenses, car loans, or other personal expense loans. Consumer loans accounted for 67% of all loans but only 0.59% of loan dollars. The main category by loan dollars was residential real estate, which accounted for roughly 35% of all loan dollars. Commercial real estate lending accounted for an additional 18% of loan dollars, meaning that the majority of loan dollars (53%) were real estate loans. Figure 10 below shows the top lending categories by total dollar amount.

Figure 10: Top Lending Categories by Total Dollar Amount



The distribution of loan dollars across categories is very similar to our previous analysis of 2021 and 2022 lending from samples of overlapping (but not identical) banks and is broadly congruent with public call report data on the MDI sector as a whole. This suggests that there have not been significant changes to the overall loan mix for MDIs in the last few years. Real estate loans continue to be the bread and butter for MDIs, given the potential for larger loan sizes relative to other lending products. Finally, as noted in previous reports, while "community" loans accounted for a small share of loan dollars ($21 million, or 1.4% of total dollars), this category reflects vital lending to churches, daycares, community centers, nonprofits, and other important local institutions.

Demographics

In keeping with their mission, MDIs are typically located in communities with a large minority population, and they issue a sizeable portion of their loans to minority borrowers. Similarly, MDIs typically issue a higher share of their loans to low-and-moderate income borrowers than non-MDI community banks and large banks. Because we do not have access to borrower-level details for the loans in our sample, we instead examined the demographic characteristics of the places that received lending as a proxy for the borrowers themselves. As with prior analyses, we match the zip codes tied to each individual loan from the 2023 sample with data from the U.S. Census Bureau's Five-Year American Community Survey to provide a detailed community profile of the places that received MDI lending.

Overall, 56.8% of the population in the lending sample zip codes is minority, more than 15 percentage points above the minority share of the total U.S. population, which is 41.7%. Additionally, **62.6% of all loans from the sample went to minority-majority zip codes, and 70.7% of loans went to zip codes with a greater minority population than the national average.**

Zip codes that received lending from our sample have higher poverty rates relative to the nation. As shown in Figure 10 below, this is true across three different measures of poverty: (1) the federal poverty line, (2) 50% under the poverty line, which is considered deep poverty and demonstrates extreme financial hardship, and (3) 125% of the poverty line which indicates households that are nominally above the federal line but that often still experience financial hardship and economic vulnerability.

Figure 11: Poverty Rates in MDI Lending Areas vs Nationwide

Zip codes with a poverty rate higher than the national rate (measured using the more inclusive 125% statistic) account for 3,922 loans totaling over $666 million. **Put differently, zip codes with above average poverty received 54.0% of all loans and 47.7% of all loan dollars from the sample.**

In the table below, we examine the demographic data of places that received lending grouped by the loan type they received. This approach reveals significant variation. For example, the population across the zip codes that received consumer loans is 57.2% minority with a poverty rate of 18.2% (based on the federal poverty line), while the population across the zip codes that received community-based loans (for churches, day cares, etc.) is 86.6% minority with a poverty rate of 25.5%.

Table 2: Loan Types and Demographics

Loan Type	Number	Amount (millions)	Minority	Poverty, <50%	Poverty, <100%	Poverty, <125%
Residential Real Estate	828	$ 505	62.3%	6.9%	19.5%	15.0%
Commercial Real Estate	181	$ 242	64.2%	7.5%	20.4%	15.9%
Commercial	584	$ 238	60.3%	6.5%	18.0%	13.8%
Land Development	100	$ 121	75.8%	7.7%	23.6%	17.9%
Other	448	$ 106	64.1%	6.8%	19.3%	14.7%
Consumer	4968	$ 86	57.2%	6.6%	18.2%	14.0%
Business	85	$ 65	61.9%	5.8%	16.3%	12.4%
Community	19	$ 21	86.6%	9.5%	25.5%	19.7%
Farming	48	$ 12	76.4%	7.0%	24.5%	18.0%

Similarly, in Table 3 below, we examine the demographic data of places that received lending grouped by state for the top 10 states based on dollar amount. This approach reveals variation as well. For example, the population in the Texas zip codes that received lending is 67% minority with a federal poverty rate of 13.4%, while the population in the Minnesota zip codes that received lending is 36% minority with a federal poverty rate of 10.6%.

Table 3: States and Demographics

State	Number	Amount (millions)	Minority	Poverty, <50%	Poverty, <100%	Poverty, <125%
TX	1369	$ 314	67.0%	6.2%	13.4%	17.7%
CA	608	$ 146	73.8%	6.3%	13.7%	17.9%
FL	569	$ 140	59.1%	6.3%	13.9%	18.5%
MI	761	$ 110	32.7%	6.3%	13.1%	16.7%
NY	650	$ 108	60.3%	6.9%	14.5%	18.3%
GA	593	$ 94	59.5%	6.2%	13.0%	17.3%
LA	488	$ 70	52.0%	8.5%	18.8%	23.9%
NC	315	$ 64	48.3%	6.3%	13.7%	18.2%
DC	43	$ 58	69.7%	10.4%	17.4%	20.8%
MN	71	$ 40	36.0%	4.7%	10.6%	14.0%

As we noted in past analyses, the variation by state regarding the lending sample likely corresponds to broader state-level demographic composition. It may also reflect variation in the specific communities served within those states – e.g., loans to tribal borrowers in larger, more rural zip codes that may not be majority-minority – or differences in capabilities or strategies for how individual MDIs access broader local markets within those states. Thus, it is imperative that individual banks' performance must be contextualized within the states they serve when further evaluating social impact or making peer-based comparisons. Nevertheless, the table again confirms that the aggregate statistics around the percentage share of loans being disbursed to marginalized communities is fairly geographically balanced rather than reflecting the impact of one or more states receiving an outsized lending amount.

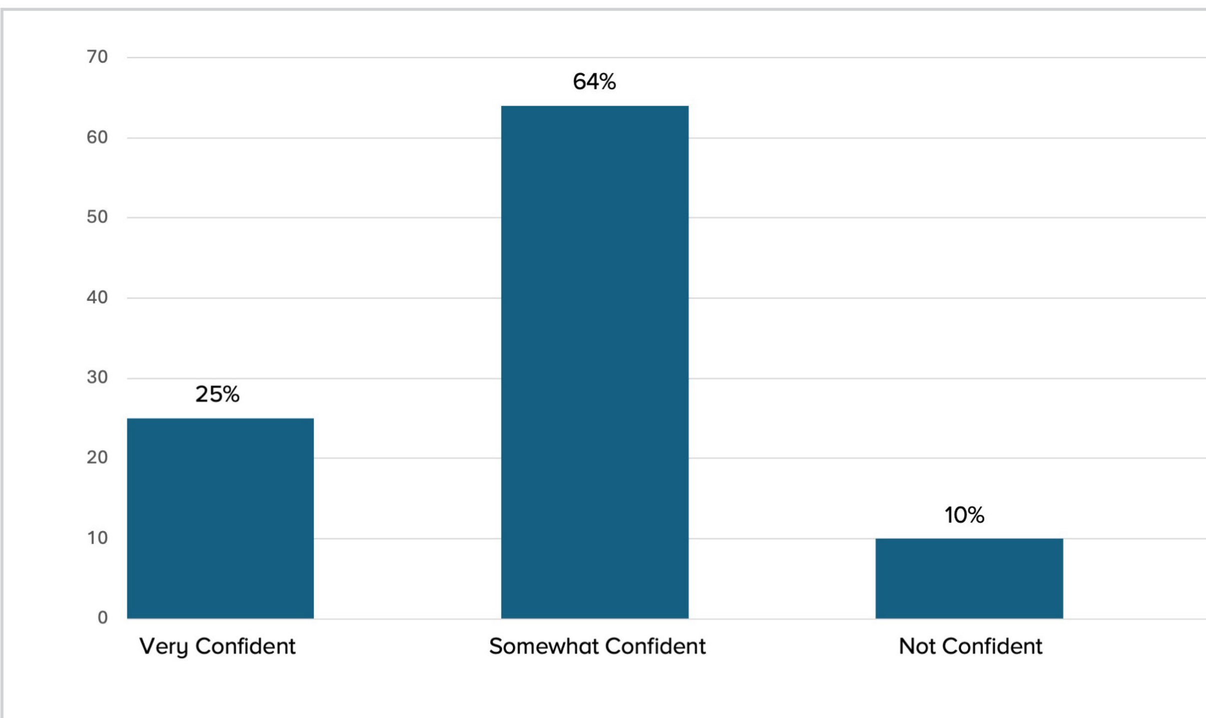
In summary, our analysis of 2023 lending finds that MDIs continue to lend in communities that fit their mission. As MDIs grow their balance sheets, including by attracting new mission-aligned deposits, we anticipate that **both the volume of lending and the number of geographies reached will likely increase.**

2023 Survey Analysis

The previous section looked backward over the past year to document MDI's social impact. Still, in this report, we also assess how **MDIs view current economic conditions and what their priorities and goals are looking forward to.** To explore this dimension of the sector, we hosted the first National Bankers Association member survey in July 2024 as part of our annual Strategic Planning Retreat. In this section, we share results from that survey, which had 20 respondents, along with specific quotes from MDI leaders that go beyond the numbers to provide even greater insight.[19]

We first asked our members to provide a **confidence level for the overall economy, their local economy, and the bank's prospects for revenue growth**. Most surveyed members are either very confident (25%) or somewhat confident (64.3%) in the overall economy and their local economy, while a smaller share (10.7%) are not confident at all. Similarly, most survey respondents are either very confident (32.1%) or somewhat confident (53.6%) in the prospects for revenue growth, while again, a small sharer (14.3%) is not confident at all.

Figure 12: Confidence Levels in National and Local Economy



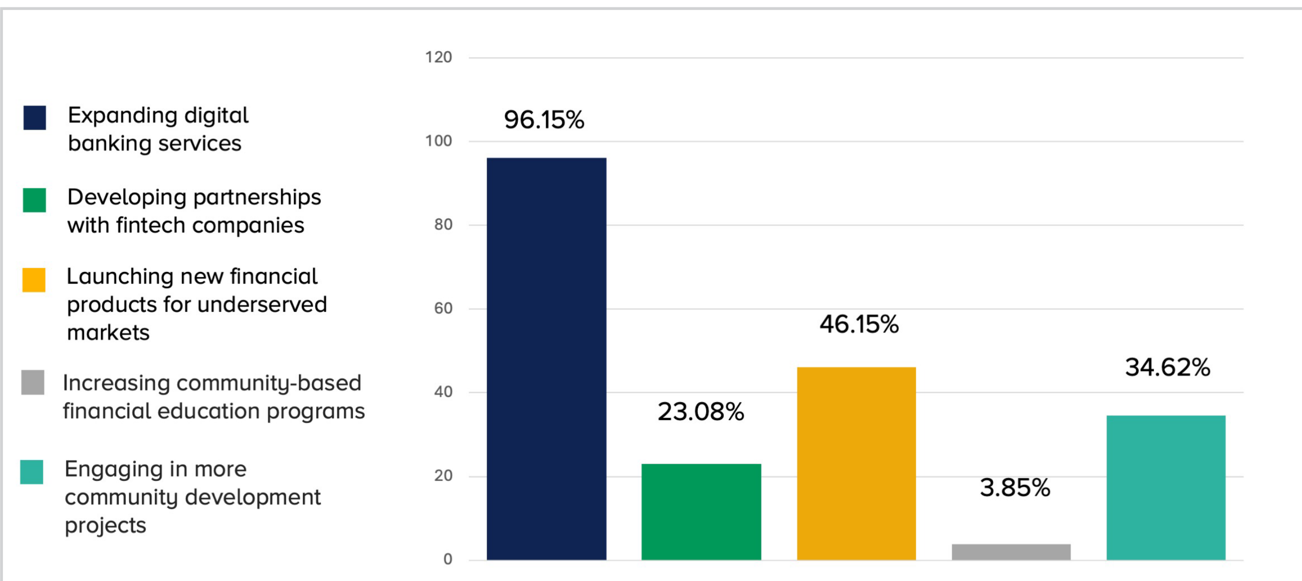
[19] *To see additional results and insights from our MDI Leaders survey, read the full blog: 2024 MDI Survey Results from NBA Strategic Planning Retreat (nationalbankers.org)*

Much of the optimism derives from strong balance sheets and continued demand for loans in their local markets. While the high-interest rate environment has affected liquidity, many of our banks reported still being in a great position overall.

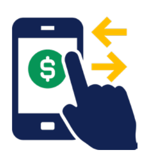
"We're as flush as we've ever been in the history of our banks as it pertains to capital. The question is how do we deploy it."
– Fred Daniels, Citizen Trust Bank (Georgia)

The members surveyed are pursuing various strategies to deploy their capital, both by reaching new markets and by providing additional products and services in markets they are already serving. As shown in Figure 13 below, nearly all banks mainly focus on expanding digital banking services. Almost half of the banks (46%) also want to launch new financial products for underserved communities.

Figure 13: Prioritized Opportunity Areas for Growth



Nearly all banks mainly focus on expanding digital banking services.



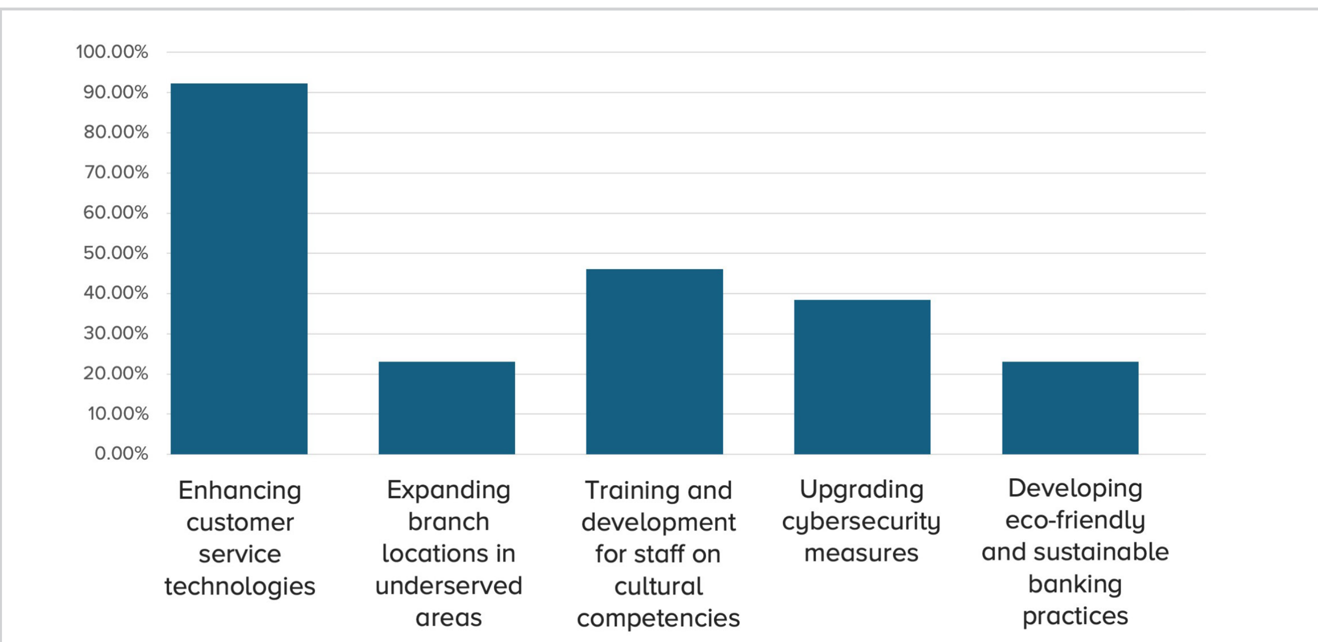
Almost half of the banks (46%) also want to launch new financial products for underserved communities.

Notably, while our members are excited about these development opportunities, they face several challenges that could limit their growth potential. For example, 92% of the banks polled feel that it is either **"difficult" or "very difficult" to recruit new talent, and 84% of the banks listed high implementation costs as a barrier to adopting new technologies.** Several of our banks also highlighted the need to increase technical knowledge to support adopting new technologies or launching new products and services.

> **"As a new bank, we must get creative with technology and fintech partnerships without disrupting our de novo status. The biggest hurdle for us is internal expertise."**
> – Kevin Boyce, Adelphi Bank (Ohio)

To successfully implement these growth strategies, the surveyed banks identified priority areas for increased bank investment. As shown in Figure 14 below, the most significant investment priority for all the banks is enhancing their customer service technologies, with 90% of surveyed banks focusing on that area.

Figure 14: Bank Investment Priorities



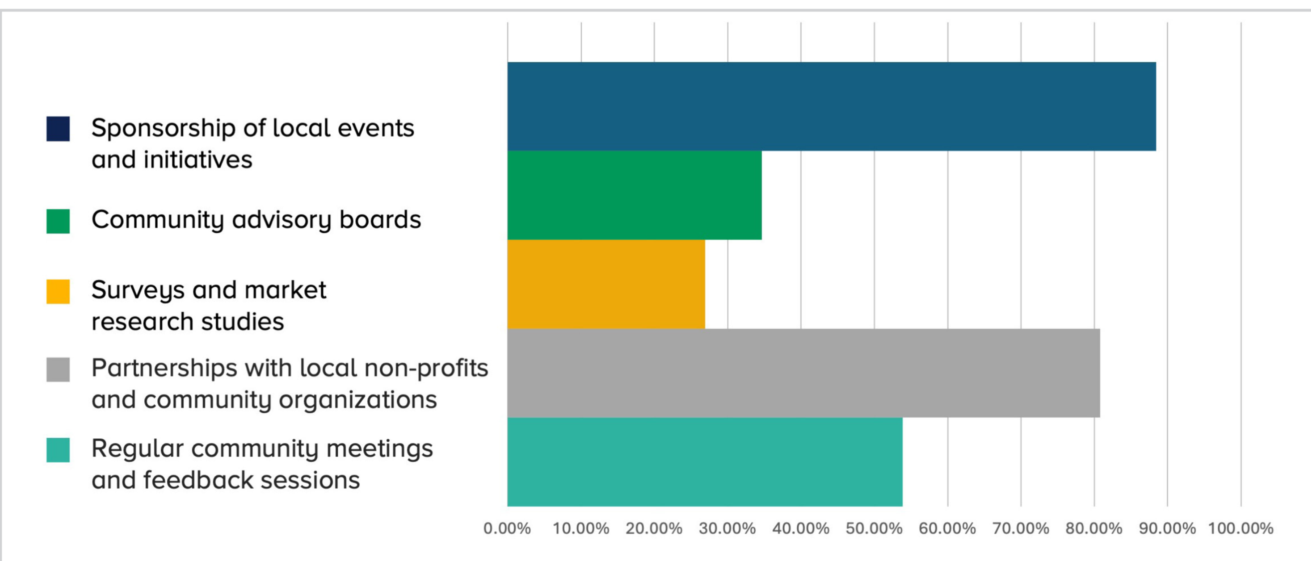
During a discussion on investments in digitalization, members spoke about cost and timing considerations for developing solutions in-house versus working with a third-party vendor. In addition, several members noted the ongoing challenges with fraud mitigation and the need to prioritize consumer protection.

> **"We all want to expand our digital services, but it needs to be slow to avoid fraud. We [also] have to be methodical, deliberate, and cautious because the [regulators] have made it very clear that we will pay the price for [any] harm to the borrower. Not the fintech. Not the middleware. Not the cybersecurity [vendor] you're relying on."**
> – Jaimmé Collins, Liberty Bank and Trust (Louisiana)

COMMUNITY

Finally, we asked our members about how they are pursuing community impact, including beyond just their lending activities. First, our banks highlighted several ways they engage with their communities to understand their needs.

Figure 15: Bank Engagement with Community



Second, all surveyed banks highlighted ongoing work to build out impact-driven products and services in the coming year. More specifically, among the respondents:

69%
are focusing on financial literacy workshops tailored to minority groups

57%
are working on affordable housing financing programs

42%
are enhancing their microloans for small and minority-owned businesses

Our members are creating social impact directly through banking activities including solar loans, ITIN lending for immigrant borrowers, credit and debit card issuances, increased mortgage lending, and the development of affordable multifamily housing.

> **"We financed a transition project that provides affordable housing for seniors and veterans. We worked with the city to finance that project because it's an underserved population and having access to safe housing is crucial. It's a way we've leveraged our commercial real estate acumen to meet the need for these members of our communities."**
> – Benita Lefft, Optus Bank (South Carolina)

Ultimately, MDIs drive impact through lending to people, places, and projects underserved by the broader financial services industry. Our inaugural survey results highlight important ways that **MDIs plan to deepen their impact in the months and years ahead through technological upgrades, new products and services, and continued community engagement.**

Conclusion

This report has demonstrated that MDIs locate in and serve vulnerable communities in keeping with their mission. In future research for 2025 and beyond, we intend to build upon this growing body of knowledge by analyzing 2024 loan transactions, reporting on the financial health of low-income and minority households, outlining capital needs and opportunities for minority entrepreneurs, and exploring pathways into climate finance for mission-driven financial institutions.

Ultimately, we aim to aid policymakers, corporate partners, and other key stakeholders in understanding and supporting mission-driven financial institutions and the communities they serve.

Strategies for supporting the sector include the following:

Driving capital into the sector as part of broader social impact investing and leveraging program- and mission-related investments to support the sector.

Purchasing ESG and racial equity bonds to support MDIs.

Creating fee revenue-generating opportunities and providing loan loss reserves, guarantees, and letters of credit will help increase the scale of MDI lending.

Collaborating on consumer education and market-building to develop a pipeline of viable deals and offering co-lending and loan participation to provide learning-by-doing opportunities, particularly on climate-related projects.

Providing grant dollars towards down payment assistance for homebuyers and technical assistance for entrepreneurs.

Supporting the sector's technology modernization efforts through employees on loan, technical assistance, grant dollars, or vendor discounts.

Providing human capital, secondments, advisory services, or technical assistance in areas such as new product development, marketing and customer engagement, human resources and talent recruitment, and compliance.

Creating tax credits and other federal and state programs that reward MDI investments and incentivize development projects in underserved communities.

This moment in history continues to provide opportunities for transformative work in vulnerable communities. Across the nation, dollars are committed daily to new infrastructure and clean energy projects, affordable housing development, small business creation and expansion, and similarly essential development activities. As a critical champion of inclusive growth, **the MDI sector will continue to provide capital for these projects in the areas that need it most, ensuring that individuals and communities have the resources they need to thrive.**

About the Authors

Anthony Barr is the Research and Impact Director at the National Bankers Association Foundation, leading research on digitalization, financial wellness, and the racial wealth gap. He holds a master's degree in public policy from Pepperdine University and has published research with the Brookings Institution and the Federal Reserve Bank of Chicago.

Elise Pietro is the Applied Research and Impact Manager at the National Bankers Association Foundation, collaborating on both internal and external research and impact projects. Elise holds a master's degree in economics and social sciences from Bocconi University and has contributed to research at the Brookings Institution and the Pew Research Center.

To see additional results and insights from our MDI Leaders survey, read the full blog: 2024 MDI Survey Results from NBA Strategic Planning Retreat (nationalbankers.org)

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