

Ramona Schindelheim, WorkingNation editor-in-chief:

You're listening to Work In Progress. I'm Ramona Schindelheim, Editor in Chief of Working Nation. Work In Progress explores the rapidly changing workplace through conversations with innovators, educators, and decision makers, people with solutions to today's workforce challenges. Joining me today on the podcast is Nicole Elam, President and CEO of the National Bankers Association. Nicole, thank you so much for joining me.

Nicole Elam, National Bankers Association President & CEO:

Thank you for having me.

Ramona Schindelheim, WorkingNation editor-in-chief:

I want to ask you a little bit about what your organization does and then we'll get into some of the issues. So tell me a little bit about The National Bankers Association.

Nicole Elam, National Bankers Association President & CEO:

Well, thank you so much for inviting me on the podcast today. So just a little bit about The National Bankers Association. So The National Bankers Association is a trade association that was established in 1927 to support minority depository institutions or your minority owned and operated banks. Our members include Black, Hispanic, Asian, Pacific Islander, Native American, and women owned and operated banks all across the country. We initially started in 1927 focused on Black banks, but in 1948, we expanded to represent all minority owned and operated banks. And what makes these banks so unique is that they are one, predominantly owned or operated by people of color. And two, they predominantly sit in and serve minority communities. So they are very focused on minority and underserved communities.

Ramona Schindelheim, WorkingNation editor-in-chief:

The entire banking system in the United States is about \$21 trillion, I think is the number I saw from the FDIC. The banks that you represent are just a real small slice of that, but they do play this really important role in the communities, serving them when other bigger institutes may not go into those. Tell me a little bit how that community based representation works.

Nicole Elam, National Bankers Association President & CEO:

Yeah. So you hit the nail on the head. These minority depository institutions are really only about 3% of the entire banking sector, but they punch well above their weight. And the reason why is because they are located in Black and Brown communities that are typically underserved by your traditional larger or mainstream institutions. For example, a Black bank is typically in a community that has an average population of about 73% Black. And so they are right in these communities that they are serving and oftentimes known as community banks or community lenders. As a result, they tend to be significant providers of mortgages and small business loans in these communities.

Ramona Schindelheim, WorkingNation editor-in-chief:

So what keeps the big banks out?

Nicole Elam, National Bankers Association President & CEO:

It's not that they're not there. It's just that our banks have always been there. So it's about our banks have always been in these communities. Oftentimes when the larger banks come, they may come and leave. They're typically in the Atlantas and the Baltimores and the DCs, these major metropolitan areas. Our banks are in those areas, but they're also in the mobile Alabamas and the Jackson, Mississippis. So these areas that have high concentrations of Black and Brown community, but they may not have a lot of the larger banks there.

Ramona Schindelheim, WorkingNation editor-in-chief:

You mentioned that these minority owned community banks and minority communities are like this main source of mortgages and personal loans, et cetera, and business loans. So what is the value to that can community, to be able to bring a bank in? I mean, it's very obvious to me, but I'd love to hear your perspective on it.

Nicole Elam, National Bankers Association President & CEO:

Yeah. So I would say that minority owned and operated banks are really at the center of wealth creation and closing the wealth gap in these communities. When you think about the leading contributors to wealth creation, it's access to financial services, home ownership, and entrepreneurship. So it's really hard to build wealth if you don't have access to financial services. Home ownership continues to play a vital role in building and preserving strong communities. And then small businesses, owning a profitable small business is also key to, to growing and creating wealth. Now, why does it matter? It matters because non-white applicants with the same or better credit profiles as white applicants are still rejected at a rate of two times that of their white counterparts.

Nicole Elam, National Bankers Association President & CEO:

And oftentimes when they get approved for loans, they have higher interest rate, they receive less loan amounts and they're subjected to harsher loan requirements. And a lot of this is really due to systemic racism in our mainstream traditional financial institutions. And so these are places that are lending when others won't. And I think the misnomer here is that oftentimes people think that it's that they can't get a loan someplace else. It's sometimes that they have the exact same credit profile and they're still not being approved for loans. And so without these institutions in these communities, you would not have these mortgages, the access to financial services and the small business loans at the same rate that you would.

Ramona Schindelheim, WorkingNation editor-in-chief:

One of the things we look at a lot is the creation of jobs through entrepreneurship. So very important in a community to be able to have small businesses seated and grow so they could create jobs.

Nicole Elam, National Bankers Association President & CEO:

Absolutely. And most small businesses are sole proprietors. So it's a one per shop. It's a beauty salon, it's a barber shop, it's a person who's providing a service. But when those small businesses are able to grow, they become places that create jobs in the communities, that sustain jobs in the communities, and that eventually continue to bring capital into the community. And so small businesses are really at the center of economic development in these communities.

Ramona Schindelheim, WorkingNation editor-in-chief:

You mentioned a few minutes ago that the racial wealth gap is very big. And I saw some numbers that white families have like the highest level of both median and mean family wealth. Black and Hispanic families, that number is about 15% less. And what was interesting too, and this was a Pew Research Center study that I saw that income inequality in the US is greatest among Asian Americans which kind of gets lost in the conversation at times. So building up this equity and wealth, what role does the bank play in that?

Nicole Elam, National Bankers Association President & CEO:

You named some statistics and here are some others. White families hold eight times the wealth of Black families and five times the wealth of Hispanic families. Why does that matter? It matters because if the wealth gap is that large, it's really hard to grow and succeed. And so when I talked about this idea of the leading drivers and the leading contributors of wealth creation, it has to do with access to financial services, it has to do with owning a home, and it has to do with owning a profitable, small own business. Those three things in and of themselves are leading contributors to wealth creation. Now, what role do banks play in that? Well, banks are providing access to financial services. Banks are the ones that are providing mortgages. Banks are the ones that are providing small business loans. So they are really at the center of wealth creation. And again, are critical to closing this wealth gap that you just talked about.

Ramona Schindelheim, WorkingNation editor-in-chief:

So part of what you do at The National Bankers Association is represent the banks and you make some policy recommendations that can help heal these communities or help raise these communities up through the banking system. What are some of the ideas that you guys are talking about?

Nicole Elam, National Bankers Association President & CEO:

Yeah, so I would kind of put them into two big buckets. The first is around capital, really trying to get capital into these communities. And a great example of that has to do with the Department of Treasury, the Treasuries Department, Emergency Capital Investment Program. That is \$9 billion that is going into these community lenders, MDIs, minority depository institutions, like my members and community development financial institutions, or CDFIs. They are putting \$9 billion of capital into these banks. So that in turn, they can push capital into the community. It's capital into households for more mortgages, capital to small businesses so that they can grow and expand. So that's one thing that we're advocating for: additional capital.

Nicole Elam, National Bankers Association President & CEO:

The second thing that we're constantly focused on is federal government, and it's not even just limited to the federal government, but federal state, and local government. Who are you doing your banking business with? Are you doing your banking business with these minority owned and operated banks? And so making sure that they are preferred depositories, making sure that they are first in line, the infrastructure bill is a great example. There are going to be so many projects that come out of this infrastructure bill. Who's financing these projects? Are there set asides and preferences for these minority owned and operated banks? And so those are two key things that we're constantly working on and talking about.

Ramona Schindelheim, WorkingNation editor-in-chief:

I read that in the week of the George Floyd murder, that some of the bigger institutes started investing money into the Black owned banks to help meet the needs of the underserved borrowers. Where are we at on that? And has that proved any help?

Nicole Elam, National Bankers Association President & CEO:

Yeah. So there has been about 300 million in direct equity investments into of these banks. And because there's been historic under capitalization of these banks, it certainly makes a difference. It's certainly beneficial. However, what I constantly have to remind people is that while you see headlines of this capital coming into the bank, in no way, does it level the playing field of 155 plus year of under capitalization. These banks continue to be under capitalized. And so they need additional capital, but we certainly applaud those banks that have made these direct equity investments. One of the great things about these banks is that for every dollar of equity invested in these banks, that's \$10 more that they able to do, and lending and more help in the community. So the multiplier effect is 10 to 1.

Ramona Schindelheim, WorkingNation editor-in-chief:

I also saw something else. And I look at a lot of different reports before I do a podcast. So I find a bunch of statistics that really fascinate me. Despite all of, maybe the progress being made, the number of Black owned banks is now about half of what it was in the past two decades.

Nicole Elam, National Bankers Association President & CEO:

Yeah. And I think that that speaks to the historic under capitalization. It has only been within the last 12 to 24 months that there has been a focus on minority owned and operated banks. But because you've got decades of under capitalization, decades of these banks doing the hardest work in banking, they've consolidated, some of them have closed their doors. And that's been true throughout the entire banking industry. Over the last 15 years, you've seen a 44% decline in banks, but there's been a 56% decline in minority owned and operated banks. And so those are the ones that have been the hardest hit and it speaks to under capitalization. It's really hard to bank. It's really hard to lend, to run a banking business rather, and to lend, if you don't have the capital that you need. And oftentimes these banks aren't getting the capital that they need. And oftentimes they're not getting the business opportunities.

Nicole Elam, National Bankers Association President & CEO:

So when you think about some of the largest corporations, when you think about the government, when you think about the largest nonprofits, oftentimes they are not banking with these institutions. And as a result, they don't have diverse revenue streams, and they don't have that income coming into their banks.

Ramona Schindelheim, WorkingNation editor-in-chief:

In the community itself, I was also seeing some stories about how there's some inequity because of the digital gap in this country, that the access to the internet, the access to being able to start an account, and then being able to digitally bank is another big issue. How does that impact your banks?

Nicole Elam, National Bankers Association President & CEO:

Taking it outside of this idea of digital banking, most people have cell phones and they're able to bank on their phones. The biggest challenges is this larger issue of digitization and modernization. The challenge with technology is that it is expensive. And so when you think about these banks, these are

the smallest of the small banks. Their average asset size is about \$315 million. So they're the smallest of the smallest banks. And so technology is expensive, and it costs a lot of money to implement technology. And so oftentimes these banks have outdated IT infrastructure, they're on these legacy systems that their core providers, which are these technology vendors are using. And so they're beholden to these outdated systems, which prevents their ability to do this digital type of banking. And so why does that matter?

Nicole Elam, National Bankers Association President & CEO:

It matters because banking is increasingly becoming more reliant on technology. You see new fintechs emerge all of the time, you see payment processors like PayPal and Venmo and Square now starting to enter the banking space. And so you've got a lot more competition and it just costs a lot of money to keep up. And so technology is not necessarily just essential for the banking of the future, but it's really essential for the banking of now. And so unfortunately, many of these banks, again, because of the cost of technology, because they use these core providers that have out outdated systems, they're not able to keep up.

Ramona Schindelheim, WorkingNation editor-in-chief:

The National Bankers Association has been around since 1927. How do you feel coming up on soon in the next few years, your 100th anniversary, what kind of progress do you feel has been made?

Nicole Elam, National Bankers Association President & CEO:

I have a lot of hope. I think the fact that there are so much attention focused on minority banks. It's a moment in time that we really need to maximize and really encourage the government, corporate America and foundations to think about minority banks differently. So it's more than just putting your deposits in these banks. It's more than making direct equity investments in these banks. Some of it is philanthropic support for these banks. Another is doing banking business. And so I think now is a moment of time that you can really make these systemic changes that can speak to the longevity of these banks.

Nicole Elam, National Bankers Association President & CEO:

One thing that we know is that these banks were born out of racism. They were born because of certain Black and Brown populations and immigrant populations could not go into your traditional mainstream banking institutions. We know that that still exists today. When you see the fact that people are rejected with the same credit profile at a rate of two to one, there's still a need for these banks. And so I think the future is very bright for minority banks. The key is just to take advantage of all of the attention and to get people to think about these banks differently, by doing business with them, making deposits in them and doing direct equity investments in these banks.

Ramona Schindelheim, WorkingNation editor-in-chief:

You guys just launched The National Bankers Community Alliance. It's a new nonprofit. So tell me a little bit about what you hope to achieve with that.

Nicole Elam, National Bankers Association President & CEO:

Yeah, great question. So we just launched our nonprofit, The National Bankers Community Alliance this summer, and we did it because we recognized the need to not just support our minority banks to support the communities that they serve. And so they're focused on four pillars.

Nicole Elam, National Bankers Association President & CEO:

The first is around financial wellness. There's a lot of conversation around the importance of financial literacy and financial education. But what we know is that education without connecting it and incentivizing change behavior is irrelevant. And so we've been doing a lot of work trying to connect financial education to banking behaviors. So connecting people when they're finishing a financial education module to a banking provider or a product or service that they may need. So that's the first thing.

Nicole Elam, National Bankers Association President & CEO:

The second is around technical assistance. One of the things that we learned from PPP is something that we really already knew, but it magnified is that small businesses need a lot of handholding. They need a lot of technical assistance to become bank ready and capital ready to take on this capital. And so they needed help applying for PPP, they need help applying for loans and getting these loans. And so this is a centralized way because that oftentimes requires so much for the individual banks themselves in terms of bandwidth and personnel. So we're centralizing that by providing technical assistance through the nonprofit.

Nicole Elam, National Bankers Association President & CEO:

The third is focused on research and impact. We talk a lot about the role of MDIs and their impact in communities, but there is not as much research out there as there should be. And so we're going to be putting out more research about the impact of these minority banks in their communities.

Nicole Elam, National Bankers Association President & CEO:

And then the final pillar is around capital collaboration. I mentioned the fact that many of these minority banks are oftentimes small banks, but if they're able to pool their resources together, they can go after some larger projects. One example of that is this summer, the Atlanta Hawks really wanted to use minority banks to finance their training facility. And so a group of minority banks came together, not one bank could do it on their own, but they came together to pool their resources to finance this training facility. And so that's the final thing that this nonprofit is going to be doing. And so, again, we're excited about this nonprofit, it provides another way for those who are wanting to help close the wealth gap to contribute by partnering with a nonprofit C3.

Ramona Schindelheim, WorkingNation editor-in-chief:

And I think that last point you made too about having bigger companies, bigger institutions coming in and putting their money into those banks to help those banks grow is really an important one.

Nicole Elam, National Bankers Association President & CEO:

Absolutely.

Ramona Schindelheim, WorkingNation editor-in-chief:

Thank you Nicole so much for talking to me. I really appreciate it.

Nicole Elam, National Bankers Association President & CEO:

Thank you for having me.

Ramona Schindelheim, WorkingNation editor-in-chief:

I've been speaking with Nicole Elam, President & CEO of the National Bankers Association. I'm Ramona Schindelheim, Editor in Chief of Working Nation. Thank you for listening.