



## FINTECH

# BankThink New OCC chief should encourage banks, fintechs to partner with CDFIs

By Maria Schuld February 19, 2021, 9:00 a.m. EST 4 Min Read



As President Biden continues to select [hundreds of key personnel](#) to serve as the new administration, one crucial seat remains open: the next comptroller of the currency.

The person who fills this role will have a [profound impact on the entire banking industry](#) over the course of their term. But there are two groups of financial institutions that have a particularly large stake in the game – community development financial institutions (CDFIs) and minority depository institutions (MDIs).

There are currently [143 banks and 511 credit unions](#) across the U.S. with collective assets of nearly \$300 billion that are either owned or directed primarily by Black, Asian, Latinx or Native Americans. In the past year, the challenges of systemic inequality boiled over into public protest that highlighted the need to further support such minority-owned businesses and banks. These organizations are the backbone to closing the racial wealth gap because they often [provide vital financial services to the unbanked and underbanked](#).

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But to keep this mission ongoing, it will require stronger partnerships between financial institutions and fintechs. The future leader of the Office of the Comptroller of the Currency will also play a critical role in this area since the OCC was the first bank regulator to push forward in recognizing fintechs as a part of the banking world — an effort that was supported by OCC leaders of the previous two administrations.

As national banks wait for the next leaders of the OCC, there are a number of efforts that we can work on now. First and foremost, developing high-tech partnerships with CDFIs and MDIs. Not to oversimplify things, but that is something that the industry should already be on top of.

A handful of large [banks made significant investments](#) in minority-owned banks last year. Fintechs and other banks can work with these institutions on training, exchange programs, assistance with infrastructure upgrades, and even mentorship to executives and board members.

From a regulatory standpoint, initiatives like the [OCC's Project REACH](#) (Roundtable for Economic Access and Change) aims at building partnerships to help [minority-owned banks thrive and support the communities they serve](#).

The December coronavirus relief bill also provided [specific emergency financial assistance for CDFIs and MDIs](#), creating an opportunity for fintechs and banks alike to work closely with these institutions to help support underserved and struggling communities.

The path to building a financially inclusive world involves a concerted effort to address many historic and systemic issues. There's no simple manual for that type of broad-scale change, but having the right technology in hand is a good first step.

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financial services.

For example, [as fair lending becomes a critical focus for the government](#), fintechs should collaborate to build a new, broadly accepted system of credit scoring using alternative data to unlock lending for millions Americans who lack usable credit scores.

Another example are initiatives like the Cities for Financial Empowerment's "Bank On" certified accounts that are public-private partnerships to help drive financial inclusion. Banks and fintechs should continue to join these efforts and help identify the new features and capabilities that would provide more Americans with affordable access to financial services.

Collaboratively, and even hand in hand with regulatory agencies, banks and fintechs must pursue new innovations that can bring underserved Americans into the financial system. And this goes beyond just supporting CDFIs and MDIs. The greater financial industry should also consider the diverse perspectives and technology from minority fintech startups.

According to a recent study by CrunchBase, Black and Latinx tech startup founders have a harder time securing venture capital than their nonminority peers, and have less access to seed capital to "bootstrap" their businesses. Yet, there is a huge need for the services these new Black- and Latinx-driven companies can provide. Just look at [Greenwood Financial's signup of nearly half a million new customers](#) within 100 days of their launch.

Apple recently launched [a new developer academy and funding for minority entrepreneurs](#). Similar commitments to invest in minority-owned fintech startups could also make a big impact.

Technological advancements have historically created barriers of entry to the economy and industry at large. But the tides are turning to where digital technology is not only affordable, but can be scalable to address systemic problems like financial inclusion.