



CDFIS

BankThink A new way for banks to think about supporting CDFIs

By John M. Turner, Sidney King May 18, 2021, 11:15 a.m. EDT 3 Min Read



As bank CEOs serving side by side in local markets, we strive to create wealth, share risk and meet the financial needs of the entire community. We understand that our organizations exist to serve customers and we grow when access to the financial pie expands to include everyone. When groups and neighborhoods do not have access to the financial system it affects all of us.

Last fall, our teams began a dialogue through a series of conference calls. The goal: to spur economic activity in communities where access to the financial system has historically been limited. Both of our banks — Regions Bank in Birmingham, Alabama, and Commonwealth National Bank in Mobile, Alabama — have resources that, leveraged appropriately, could create better outcomes. The ultimate result of those conversations is a greater understanding of how our institutions operate, the shared challenges we face, and a partnership intended to strengthen our communities and our own institutions in the process.

Banks like Regions and community development financial institutions like Commonwealth have worked together for many years, typically with larger banks infusing cash into CDFIs to support loans to small businesses that may find it

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Historically low rates have taken a toll on Commonwealth's net interest margin and the need to hold expenses in check meant that Commonwealth has not had the capacity to hire a commercial banker to support growth, particularly since the position wouldn't be accretive to earnings for 18 to 24 months.

With some innovative thinking on everyone's part, Regions is providing funding to support an experienced commercial banker for two years to boost lending efforts at Commonwealth over a timeframe that should be accretive to earnings. To ensure Commonwealth will have an appropriate level of reserves and liquidity to cover its projected growth, Regions also funded a loan loss reserve. Further, the Regions Community Development Corp. also made an investment in Commonwealth to bolster liquidity.

Providing funding for a commercial banker provides Commonwealth a "hand up" for long-term stability. Adding the loan-loss reserve component supports loans that will strengthen small community businesses. This approach makes the most of our individual banks' strengths.

Last year was an incredibly difficult one on a variety of fronts. The COVID-19 pandemic, economic challenges and civic unrest spurred by racism all drove home the uncomfortable truth that equal opportunity and access are not yet a reality. Last year was also challenging for banks navigating economic volatility and a low rate environment – and this difficulty was especially pronounced for minority depository institutions and CDFIs whose customers generally have less wealth and a smaller financial buffer to weather economic slowdowns.

Today there are fewer than 20 Black-owned banks in the United States, and Commonwealth is one of only two based in Alabama. As both an MDI and a CDFI, Commonwealth plays a unique role in promoting the economic viability of underserved communities by providing access to financial products and services for local residents and businesses. In many cases, these community members are not eligible for traditional bank products and services and are at risk of remaining out of the financial mainstream. Like Commonwealth, Regions has a long history of serving Alabama and continues to focus on creative solutions to meet the needs of those in our home state, and beyond.

Traditional banks, CDFIs and MDIs can play a powerful role in creating more inclusive prosperity, one loan, one account and one banker at a time. Working together we can accomplish far more than we can individually, and we look forward to seeing the long-term results of our investments in the communities that we both serve.

John M. Turner President And CEO, Regions Financial Corp.

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The programs from the trade group are aimed at helping the bank improve its employee representation and workplace culture.

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The National Credit Union Administration placed the New Jersey credit union into conservatorship Monday, citing its "unsafe and unsound practices."

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'It's very scary': Small banks quietly hit by ransomware attacks

Hackers, including the group behind the breach at Colonial Pipeline, have posted convincing evidence that they have broken into the servers of community banks in Florida and California and stolen customers' data.

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In a year that forced us all to reassess what's important, roles that banks often take for granted — at branches and call centers, in human resources and marketing — stood out.

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