

Good afternoon. Chairman Barr, Ranking Member Foster, Ranking Member Waters, and distinguished members of the Committee. Thank you for the opportunity to speak with you all today.

My name is ReShonda Young. I am the founder of a proposed Iowa State Chartered bank, Bank of Jabez. I am also a landlord, real estate developer, and business consultant with the SBDC. Bank of Jabez is being formed to be a solution to the systemic issues of inequality and discrimination in lending I have personally experienced in banking over a 20 year period, as well as the issues I have witnessed other minority and immigrant-led business owners experience. To this day, I continue to see the disparities in banking and lending opportunities for minorities and immigrants in my community. Some of the stories are absolutely devastating to the financial, emotional, and even physical well-being of the owners due to the amount of stress these situations add to their lives.

My personal story that got me to the point of praying for a solution to the banking problems I was having involved a multi-billion dollar local community bank that held all of my real estate assets. When I started working with the bank, a good friend of mine was a VP at the bank. He knew the problems both my dad and I were having with obtaining access to capital to grow our businesses. My friend introduced me to the commercial loan officer at the bank and we embarked on a great relationship over the next 6 years. I had been with the bank for 7 years in 2019 when I called for a simple request. My friend and the loan officer had both left the bank. I was told by my new loan officer that they did not want me at the bank and if I decided not to move my accounts, they would foreclose on me and take everything I own. This new loan officer did not just threaten me, he also began filing illegal documents to try and make good on his threat. For 16 months, the commercial loan officer and others at the bank, including the CEO, tried to illegally steal the properties I had worked so hard to acquire. As a result of having connections with small business organizations and individuals who have media connections, I was able to write a story that was going to get published, releasing the name of the bank. I shared with the editor of the publication all of the documentation I had gathered to prove what I had shared with him about the illegal and discriminatory practices were real. The bank President reached out to me, after finding out the story would be written releasing their bank's name. He found out that all of the documentation I had gathered was shared with the media, including a very inflammatory and threatening email he had sent to me. This revelation compelled him to reach out to me and offer a settlement agreement, which included releasing the liens they had on all of my real estate assets, in exchange for me not releasing their name in the story. After enduring those 16 months of intense, unnecessary stress, I prayed about what I needed to do to make sure this doesn't happen to others. I heard very clearly in my spirit that I needed to start a bank that was honorable in its dealings and that treats all people with dignity and respect.

I did not accept the task of starting a bank lightly. I immediately reached out to a banking professional, who became my co-founder. We downloaded the FDIC guide on starting a de novo bank. We engaged with banking consultants to help guide us through the process. The consultants provided us with a checklist of steps we needed to complete to get us to the point of opening the bank. The checklist involved 74 items. That, alone, can be daunting. Pair that with

average pre-opening expenses of \$800K - \$1.5MM and post-charter capital needs of at least \$20MM, and most people would abort the mission. Unfortunately, aborting the mission means business as usual. It means underserved and underrepresented populations of people will continue to experience discrimination, and potentially illegal acts, at the hands of unscrupulous individuals who do not equally value all people. Aborting the mission is not an option for my team and me.

We initiated engagement with the FDIC in January of 2021. Our overall experience with the FDIC has been favorable. They have been very responsive to our questions and willing to meet with us to help keep the process moving forward. We also began our engagement with the Iowa Division of Banking in 2021. We quickly learned that de novo banks are rare. Iowa's last de novo bank charters were issued in 1997. No one who is currently at the Iowa Division of Banking (IDOB) has ever gone through a de novo charter issuance before. As kind as the Iowa regulators are, there are many things they are learning right along with my team. That is a bit unsettling for us. Our banking attorney has been called on by the IDOB banking attorney to give guidance on various issues.

Knowing that there are de novo bank founders who are still around, it would be helpful if the IDOB had a team of de novo bank founders who they could consult with on the process they went through when founding their banks. Granted, launching a de novo bank is not something that is done every day, or even every decade in Iowa, that group of consultants would be helpful in more areas than just the de novo charter process. There is an added complexity to launching as a Minority Depository Institution (MDI). MDIs are rare, representing roughly 3% of US banks. Currently, there is one MDI in Iowa. Being that this is something neither the FDIC nor the IDOB has extensive experience with, it would be helpful to have resources available to guide that process and ensure the qualifications are met. MDIs serve critical needs in the communities they serve by providing access to financial products and services, particularly for LMI individuals that are generally underserved by mainstream banks. The qualifications for obtaining and maintaining the MDI status can be complex. Having experienced guidance in this process would be helpful for the de novo bank, as well as regulators who do not have much experience working with MDIs.

Starting a de novo bank is a very expensive and arduous process. The guidelines around how capital can be raised and who it can be raised from (generally accredited investors), poses a barrier to entry for those whose net worth is less than \$1MM (excluding their primary residence) or income is less than \$200K for an individual or \$300K with a spouse. This requirement should be adjusted, and looked at on a case by case basis.

Finally, I want to address the criticism around banking regulations. There are banks who will do the right thing simply because it's the right thing to do. There are many others who will not. It's not just the big banks that violate ethics and the trust of those who are underserved and underrepresented in banking. Smaller community banks, as well as credit unions, are often guilty of discriminatory and unethical practices, as well. If banking regulations are loosened, it will cause more harm to consumers, which is why I joined the group that brought the 1071

lawsuit against the CFPB for not enforcing anti-discrimination in banking laws. It may cost banks a little more time and money to prove they are not discriminating against women and minority business owners, as well as small businesses, in general. However, the extra little bit it will cost for banks to do regulatory reporting in this area will have a positive effect on consumers who don't stand much of a chance in defending themselves against bad banking practices that could cause them irreparable harm financially, emotionally, and even physically.

Thank you for your time.

ReShonda Young