

# Does Closing Minority Depository Institutions Affect Credit in Their Communities

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## Abstract

I investigate the role of urban community banks, Minority Depository Institutions (MDIs) in promoting credit access in underserved, diverse urban neighborhoods. I construct a panel dataset, employ an event-study design and treat MDI and non-MDI branch closures within census tracts as interventions. The effects are largely minimal, with a few notable exceptions: 1) Asian MDI branch closures lower mortgage originations within the Asian community, 2) Hispanic MDI branch closures lower small business loan (SBL) originations to small firms, while, 3) non-MDI branch closures lower mortgage originations within Black communities served by Black MDIs. Surprisingly, non-MDI branch closures precede an increase in total SBL originations. Using lender-level Herfindahl–Hirschman index, I show branch closures do not lead to more concentrated lending markets, rather encourage entry of non-local and non-bank lenders. The results highlight the evolving and decreasing role of physical bank branches and relationship banking in an increasingly digital banking landscape.

**JEL Classification Codes:** G20, G21 , L10

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