

Good Things Happen Podcast – Season 2, Episode 6
Closing the Wealth Gap_Harold Butler, Susan Plumb & Dominik Mjartan
Transcript

Jorian (00:06)

Citi's stated mission is to responsibly provide financial services to enable growth and economic progress. This is best exemplified by the provision of capital to hitherto underserved individuals and groups around the world that enables independent entrepreneurs to start and build their businesses and through the provision of mortgages to help people get on, or up the property ladder. This is as true in the United States as it is elsewhere.

Citi works with a number of other banks in its home market to help provide access to money to communities that have historically been restricted or denied. Today, Good Things Happen has three guests to discuss how Citi and its partner banks are working as one to help close the racial wealth gap.

Welcome to Susan Plumb who is the chair and CEO of Bank of Cherokee County, and to President and CEO of Optus Bank, Dominik Mjartan. And to Harold Butler, who is Citi's Head of Diverse Financial Institutions Group. Welcome to Good Things Happen, everybody.

Let's start with Susan. Please introduce yourself. Tell us about the work you do and what is your principal objective at the Bank of Cherokee County.

Susan (01:28):

Hello. I'm Susan Chapman Plumb, and I'm a proud citizen of the Cherokee Nation and the United States of America. Bank of Cherokee County's principle mission is to insure that native citizens and residents of Cherokee County Oklahoma, and actually we're expanding, to make sure that they have full access to the money that they need to make their lives better every day.

Jorian (01:57)

Wonderful. Same question to you, Dominik. How do you define the purpose of Optus?

Dominik (02:02)

Optus Bank was founded over 100 years ago with a commitment to closing the racial wealth gap and that commitment is still the core and founding principle that drives everything we do at Optus Bank today, as one of 18 African American-owned banks and also a CDFI certified bank in America.

Jorian (02:22)

And Harold, explain to me what the diverse financial institution group of Citi is and does.

Harold (02:27)

I'd be delighted. Thank you, and thank you to Optus and to Cherokee Nation, Susan and Dom for being here with us today. You know at that crucial point in history and the world several years ago after the murder of George Floyd, Citi, like many others, made some transformative decisions. Those decisions were really to determine what we needed to do here at the firm to help address the racial wealth gap. What is our part? Which is a very important question. And, you know, we started the Action for Racial Equity here inside Citi which principally addressed those questions and it set goals for us to measure ourselves by as we sought to do our part.

The Diverse Financial Institution Group in many ways is a manifestation of that effort, those commitments. Right? Those commitments that we made to help reduce the racial wealth gap in this case, the best way we can do it in this instance is through diverse financial institutions like Optus and Cherokee Nations Bank. Because those mission-driven financial firms impact communities directly, in areas where Citi, you know, we don't necessarily touch in all cases. But our ability to support in many different ways these banks so that they can be more effective to the communities they serve, that's really the mission of the Diverse Financial Institutions Group.

And it's really principally focused on not just the banks, but broker, dealers, and asset managers as well, but the power of it really is crystallized by bringing in all the disparate business functions across Citi's largess, our franchise, and making

those available to banks. That's our mission. It's one of my personal joys. It's something that I have more fun doing than anything. I guess what's the old saying? It's not work if you enjoy doing it? So even though I still say I'm going to work, it doesn't quite feel like work sometimes.

Jorian (04:22)

And you guys all work together, and I am no banker, but it seems odd to me. You kind of think of banks as competing with each other. How do you work together? Susan, what's the benefit of working with Citi and I know you touched on it a little bit, but how does it work? How does the team work together?

Susan (04:40)

So, I don't think Citi has a presence in our part of the country. I think that that's part of why we have partnered with one another, and even the large banks here in Oklahoma. We still do some of the same kinds of partnering with big banks because big banks have a very different business model than a really, really small bank.

It's really a way for them to kind of put their money where their mouth is and do the things that they're committed to doing, that they really wouldn't be able to do. It would be very difficult I would think for Citi to stand up a bank that would be culturally relevant to the Native American community. So, they picked up. (laughs) And we picked them. (laughs)

Jorian (05:23)

And Dominik, would that be a similar answer from you? Or anything to add to that what the benefit of working with Citi is?

Dominik (05:29)

I think that is a great answer. I will add just a couple different perspectives and maybe some different words around the same concept. The way I see our partnership is really the vision that Harold laid out includes probably understated, deep understanding of the fact that Citi cannot be successful with its commitment to really serving the world, not just the U.S. with responsive and responsible financial services without partnerships with mission-driven community oriented, locally driven, locally accountable banks, or financial service providers.

So I think it's not just a manifestation of the commitment to close the racial wealth gap, but I think it's also understanding, or a manifestation of the deep understanding that the Citi leadership team, and Harold in particular, has that the success for Citi shareholders, frankly, is contingent on finding key partners to close the gaps that exist in our communities. We have a very similar mission to what Susan laid out, but we do believe that the local connections in relationships and the unique financial services that our banks provide is something that Citi is not probably well suited to do without us. Right? And so they recognized that and decided to make us an extension of their massive financial ecosystem.

And that's how I see that. I see it as a very symbiotic mutually reinforcing partnership that frankly transcends the initial issue that you raised, how can banks partner? And so I do wanna credit Harold for building the internal will and deep understanding within Citi that this is not just a charitable initiative to create economic opportunity and wealth in certain underserved communities. This is actually a strategic initiative, and that's why the whole function and role that he and his team have, I believe, it's going to very likely become the most important part of Citi, as a separate line of business almost that's focusing on the future where we need to be working more intentionally together.

Jorian (07:30)

Anything you'd like to add Harold?

Harold (07:32)

I'm so appreciative for both Dom and Susan's words and I think if I were to add anything, frankly, you know, it's no mystery that Citi isn't in multiple locations around the country. It's just not part of our strategy from a retail banking standpoint to kind of be everywhere.

But we do have very specific goals and interests, it's not just solely as part of our commitment around closing the racial wealth gap. We generally will address the business in communities kind of doing good and supporting growth in many different aspects. And, you know, the best way to do it, in the absence of having a physical presence is to do it through financial institutions like these two right here. At the end of the day, it really isn't necessarily about Citi, in most cases. It's ultimately about what we're able to do in partnership, how it makes the impact.

Because the people on the street don't necessarily care. I'd love for them to care about Citi brand, but that's not necessarily top of mind for someone who would like to see street lights in their neighborhood so they can feel safe. Right? That might not always be Citi that does that, but it might be, you know, an Optus Bank that's able to make that happen through the local municipality, through support from Citi and others. So, I agree. And Dom said it very nicely, it's an extension of the way we sort of look at how we can make an impact in the world around us. Through financial institutions is a good way to do it.

Jorian (08:54)

I totally get the business argument for it but having done a bit of study of all three of your brands, it seems that you're also aligned in the values that you have. I know purpose driven businesses is the word of the day. But I really sense that in all of your organizations.

And Susan, I love something that I read on your website about celebrating the dreamers, doers, and achievers in Cherokee County since 1907. Those are beautiful words. What are the challenges of making that happen? Tell us some of the cultural challenges of you being able to achieve your ambitions as a bank.

Susan (09:29)

Well, this'll only be relevant to the Okies that might be listening, but Oklahoma became a state in 1907. And actually, the bank preceded statehood, which meant that we were incorporated in Indian Territory. So that's just a little historical fact.

But you know, Native American monetary concept is - it could be somebody's dissertation. Okay? Because the concept is that we like to stay close to our communities geographically so going away is not really culturally the thing that people try to do. And so, we're in rural Oklahoma. Well, that may immediately limit your opportunities. And I don't even know if limit the opportunities is right. It's just a different perspective, you know.

When you want to live near a stream of running water, which is a Cherokee value, when you want to live near your extended family, you start shrinking your opportunity to access capital and traditional financial services in a way that can shrink your world. If somebody's not intentional about taking that banking to Northeastern Oklahoma or to the Cherokee Reservation then it's not going to happen.

So really, some of that's just the sensitivity to understand that there are differing norms inside America, and they can vary greatly, you know, with regard to what financial success looks like in particular. There is actually not a Cherokee word for bank. It actually requires a sentence to say the word bank. Because it is a living language, I'm working on my Cherokee speaking friends to actually make a word for bank, because they make words for other things now. You know, they sit in a room with about 30 people and decide, "Okay. What's the word for geometry going to be?"

But I say that, and it's funny, but it's actually not funny, because that explains in a nutshell how far apart we would be from mainstream American culture.

Jorian (11:38)

A living language makes sense. I guess you're going to have to think about crypto and blockchain soon as well... But let's start with bank. (laughs) Dominik, tell us a little bit about the history of Optus. I read that it was instigated for slightly different reasons, as I understand. What I read on your website was about the vision of giving more people the access to the American dream, not just those born in the right circumstances. Tell us some of the background of Optus.

Dominik (12:04)

I just want to say, first of all, thank you, Susan, for educating me. I love the story about the word bank and the fact that it doesn't exist.

I would say in our communities that we serve; the word bank is a four-letter word. It's not a good word. In fact, if you look at our logo, we intentionally shrunk the word bank, because we wanted to focus the concept of choice, opting us, Opt Us. And that's when we changed the name of the bank. And also, in Latin, it's to choose, right, to have a choice. And frequently, Jorian, what we find in our communities, people not only don't have a choice, but frequently, they're not even aware of the options. Right? They see their majority counterparts for centuries building wealth, accumulating assets, and meanwhile, they are excluded from it.

Everything from the 40 acres and a mule you know, started the real kind of division in the history of racial wealth gap. Then post Reconstruction, then the persistent redlining, blockbusting, all the real estate laws that were encoded into our system have created an environment where today, maybe some of the more obvious obstacles have been removed, but the underlying obstacles to people of color, particularly accessing credit and opportunities, it's still there.

So, I'm going to add one thing, and that will maybe answer your question in a very tangible way. I was speaking with someone five or six years ago when I started on this journey to get into this mission driven banking space. And so, I was talking with a friend of mine whose very high net worth, and I was explaining to him how excited I was about what Black banks in particular, or mission driven banks do for America. And he, his question was, "Why do we need them? Why do we need these unique banks?" And so rather than giving him a very academic answer as I just gave you, which you know, he would have lost me about 30 seconds in, I went home, and I started looking at, "Okay. What does it mean today?"

And I found a study that was done, and it's been done repeatedly by different groups of two borrowers with identical credit histories, credit picture, really identical financial condition. And this research group, all they did is they changed their names, and they submitted these applications to various institutions in a particular market. And the borrowers, the fictitious borrowers with ethnic names had a 30% to 40% lower response rates from the loan officers. And this was just recently. I went back to this friend, and I showed him the study. And to my surprise, he still kind of dismissed it, but at least he started to understand that even in today's America, we need Susan, and we need Optus Bank, and we need institutions that are very intentional about finding those gaps and closing them.

Susan (14:37)

I would add an anecdote to that. I recently heard the training inside a lending environment, where the loan officer was instructed to give the customer five minutes. And if they knew that the answer was going to be no after five minutes, they were to stand up - and this is training - stand up, give all the verbal cues like, "It's time for you to leave." (laughs) And our training would be the opposite. If we're going to tell you no, we're going to sit there with you and try to help you figure out why the answer is no, and what you can do about that, just as a human being.

I know every bank is not that way. But I would say that that is not uncommon. So, you can imagine the kind of barrier that that puts between somebody that's already intimidated, maybe, or who culturally has a gap or, I mean, there's many reasons why that would not be appropriate.

Jorian (15:36)

Howard. Let's develop this this discussion. From a Citi point of view, you mentioned George Floyd, Black Lives Matter movement, but Citi were involved in this before that, right?

Harold (15:46)

Oh, sure.

Jorian (15:48)

So, tell us about the history of Citi trying to make progress in this area and find partners. Talk to me about choosing the partners that you work with, the insights that you get from people like Dominik and Susan to enable you to achieve the goals that you want to achieve.

Harold (16:04)

It's a great question and you're right this mission did begin for Citi in 2017. And so several years prior, you know we were really focused on understanding and supporting the goals of the government and the goals they had to support, to be inclusive of diverse financial institutions as part of the treasury business. Now, you can well imagine, and I think this wouldn't be a mystery to any of us today, that to do business with the government carries risk. Right? Capacity, scalability, you pick it. There's all kinds of words that would probably be appropriate in terms of your preparedness, your ability to do government work.

But the goal, I think, was really for the government to think about how do we get there, right? You take a step back and think, "Well, you know, some cases, you want to make quantum leaps, and other cases, you can't." And I think for the government, it was trying, for Treasury specifically, it was trying to determine, how do we get to a place where banks like Cherokee or Optus could get involved in some of the work that we have here at Treasury, that would be citizen facing and/or intergovernment facing?

And we were asked, and we were happy to help support the thinking around how to do this. And you know, we worked with Treasury at that time and ultimately came up with an initiative, Treasury Mentor-Protégé program that ultimately was just like it sounds, paired up large financial institutions with small financial institutions and gave them a purview, if you will, into what you had to do in order to do business with the government. Right? Sometimes I like to use my favorite saying. I always smile when I say it. And I think it's very illustrative in many ways of why this is so important. And so, you know, one's valley depends on the mountaintop on which you stand.

So, if you think about Citi's valley, Jane Fraser is the CEO, and her valley, Citi's largesse around the globe is going to be maybe more than a little bit different than what Susan or Dom's valley might look like. Right? And so, our ability then to expose either of these banks to what we see through our aperture as critical. Right? And it brings about opportunities for growth, in many cases.

If we go back to Treasury example, to be able to get on a Treasury contract and be able to support the government in a way that you may not have done prior, maybe it's not ever something that the smaller banks would think about, right, because of the headwinds associated with it. So, we created this program, and we ultimately, in their 233-year history, we did manage to get a couple of minority banks on contract to do different things with Treasury. But that's really where it began.

And then very quickly, and that's where George Floyd came in, we realized that we needed to do more. Dom doesn't have time, energy, or resources to create a bench that would be waiting on what it would look like to do business with Treasury, if he even had the capacity to be able to build with the resources and knowledge to do it. It just takes time to do it.

And so, that's where we really retooled our thinking and the way we were looking at engaging banks. And we kind of wrote a new story. You know, we encouraged other financial institutions to get in the game. Right? I'm very proud that we were sort of the first bank out front to really embrace the industry. And at the end of the day, I think what's important, I'm happy to mention this now.

There's three basic pillars to our strategy. The first is equity, and equity really is about helping the banks to, you know, to improve the balance sheet, and to give them more capacity to do things to help support growth. The second is really capacity building. Fancy word, I love this word, capacity building because I don't know that I knew what this meant a year ago. Right? (Laughs) So...It's fancy for me to quote a word to simply say we're focused on knowledge transfer. And doing the things that can help connect the dots around important lines of business or interests like, you know, people assets and learning key skills on lending, et cetera.

And then the third is revenue generating opportunities. At the end of the day, and either of these two very fine CEO's will attest to this, it's fun. It's great to get money, to get grants, to get investment. But at the end of the day what the banks want is not about a handout. What they want is opportunities to get in the game, to get into work.

So, we took then all the things we had in our arsenal and we're still doing this today. It's a work in progress. But, our goal was then and is now informed by Susan and informed by Dom and others to make visible and to give them the opportunity to participate in some of these things that can generate revenue.

Jorian (20:50)

You predicted my question perfectly (laughs). And I'd love to hear from Susan and Dominik, have you got some stories for us of how this is then realized from these strategies? I, perhaps lazily talked about entrepreneurs and people who want to get on the property ladder in my introduction. What other stories are there in terms of how access to this capital is changing lives and changing communities?

Susan (21:12)

Capital is how banks ensure that we are caring for our depositors' monies in the way that we should be. There's two ways to have capital in a bank. You either retain it out of your earnings, or it's injected. So, in our case, we're partnering with Citi to bolster that capital, which the great thing about banking is whatever that dollar amount is, then we can leverage that times 10.

When somebody injects capital into a bank, a bigger bank I'm sure the figures are much higher. But in a small bank we can take that money and multiply it 10 fold. It goes straight out into our communities by way of lending. So, it increases our capacity to lend and that's the best illustration that I can think of. It's not theoretical. It's real.

Jorian (22:07)

Dominik, anything to add?

Dominik (22:09)

I think the concept of supporting the balance sheet of mission driven banks - let's back up a few years. I think what Harold didn't say in his setup of the mentor protégé program and some of the history, he was really the visionary behind that program because he understood that access to these services that could generate revenue for mission driven, smaller institutions is simply denied, yet again because of a lot of the disparities built. And so, how do you reverse it? Well, you create these unique partnerships.

But then, the next step was, okay, the capacity building that he talked about, the capacity building it's not that Susan is not an incredible banker that can run a successful bank under very difficult circumstances. Right? What she needs is equity. You know, she needs capital because some of the capital injections, again, typically in most traditional community banks, or traditional banks, come from purely profit-oriented investors. And if you are for centuries, or for decades, if you are banking in markets that are underserved, the returns, historically, you've been able to generate do not attract your traditional market-oriented investors.

And, that understanding, it seems really obvious today because we've been talking about it. But a few years ago, when I started in this space, that was very difficult to truly comprehend. You know, why do we have these MBI banks or CDIF banks that are so small, and they appear to lack capacity, but what I think Harold and the leadership team at Citi understood is, they don't lack the intellect or the human capacity on their teams.

They may need to have it augmented with additional resources. What they really lack is an opportunity to jump start them into the market-oriented space. And so, this capital injection that we received, and Citi just, I'll disclose, is our largest institutional investor. But what that investment catapulted for us is, one, other investors jumped in. But now, we are quickly leap frogging to the tier where we cannot just be a viable institution as a mission driven institution. But we can actually generate market rate or above market rates of return and compete.

You know, what Citi did is and that program and with the continued support, it allowed our institutions, and I don't think I'm being too grandiose here, to probably reverse decades of disinvestment. In a course of 18 to 24 months since we've been hanging together, we've reversed decades of this investment in mission driven banks.

Jorian (24:31)

Harold, is this just a start?

Harold (24:33)

It's just a start, Jorian. I mean, you know what? You're going to get me excited now because questions like that, I am reminded of why we're doing this in the first place. Right? We talked about some of the obvious reasons that we're

doing it. But at the end of the day, I think wouldn't it be a great place for us to be as a society if banks reached parity. Right? And there is an opportunity for everybody to do the things that they need to do in order to be able to serve their communities. Wouldn't it be a great day if we reached parity and our dialogue is not about, you know, Optus as a black bank as a way to describe it. Or Cherokee Nation Bank as a Native American bank. Why can't it just be banks? Right?

And they need to be proud of their charter and history in the way they serve communities. But you know my hope one day is that. And I think, I think we'll get there. Most, if not all of the work we're doing is very focused on doing our part to help the banks reach parity. The mission of the diverse financial institutions group is more about helping to that parity comment that I made in opening up access and making it more of a norm. Right?

An institutional norm for Citi, which we've done a great job of leading, in many cases, the industry on many of the actions that are happening in this space today. And if we do our job right, ultimately, it won't be a question of "so how many black banks are we doing business with?"

It'll be how many banks are we doing business with because these banks will have the ability to play it, just like all the rest of the banks, to be competitive. They have the tools and they'll be part of what we do as a firm, as an industry by virtue of their ability to compete in the space and not as the fact that they may be a diverse financial institution.

Susan talked earlier, Dom, both about examples they gave and I've heard them myself. People ask the question, well how come there are so many handouts to diverse financial institutions? This is not about handouts. You know, this is about justice. It's about helping to become a part of and being a part of an institution of finance, an ecosystem of finance that allows and gives them opportunity to participate fairly. And to do it in a way that is beneficial. But at the end of the day it's about impact. And it's about impact now. Right? It's enough talking. We do too much talking in the industry. People sometimes have great intentions but often times those intentions don't marry themselves up with action.

And that's really what we're trying to do here is all about action. Right? We can give money. Maybe not as much as others. But we're very focused here on how many things can I get Cherokee Nation Bank engaged in that can help her drive growth? What kind of resources can I give Optus Bank that can help him press forward in a new line of business? That, to me, is where the rubber meets the road. I think this is the makings of a very powerful future. When you asked the question about does it continue? It definitely continues. I'd like you to think about it not as a continuance of separation. But just declaration of we're working with some fantastic financial firms all around the country that are impacting underrepresented communities. And to me, that's what it's about.

Susan (28:01)

I have one disclaimer and then I'll give you some statistics, Jorian, that you might find interesting. We're a privately owned bank. I think I may be, out of the 18 Native American institutions in America, I think I may be the only woman Native bank owner. So, I do have a unicorn headband that my daughter gave to me. And (laughs) occasionally I put that on.

But, you know, there's 5.2 million Native Americans in the United States and 18 banks. So that's just shows you kind of what the disparity is that Harold is getting at between the offering and the services. And we're not owned by the Cherokee Nation. I'm just a citizen of the Cherokee Nation. We're a privately owned institution. But we we've got about nine different tribes represented in our employee base.

I think the work is generational. I call it generational because the attitudes and the cultural barriers that we have, you know, they're not overcome with just one interaction that we have with Citibank. It works both ways. Okay? So, we're going to educate Citi on what meaningful work looks like inside our sphere. And Citi is listening to us and then they're going to help us. And then some day, they will have learned, and we won't need their help. So, to me, that's the objective. But that may take a while. (laughs) It probably will take a while.

Jorian (29:31)

Well, it's gratifying to shine a light your organizations that are mission driven and making a difference. I sincerely hope some young people are listening and if they are I'm sure they're inspired by all your words and encouraged that this is an area that they should get involved in. I would like to thank you all. I've so enjoyed this conversation. I've learned tons, it's been lovely hanging out with you this afternoon. Susan, Dominick, Harold, thank you so much for joining Good Things Happen today.

Susan (29:59)

Thanks, Jorian.

Dominik (30:00)

Thank you.

Harold (30:01)

Thank you so very much.