

From: Beavers, Danielle [<mailto:danielleb@greenlining.org>]
Sent: Thursday, October 16, 2014 6:32 PM
To: Danielle Beavers
Cc: Sasha Werblin
Subject: Followup from Greenlining: Strong Diversity Standards Needed

Thank you so much for meeting with members of The Greenlining Coalition last week. We appreciate how candid and receptive your team is to our perspectives as community advocates. This email is recirculating a letter brought up in many of our meetings on the need for the Offices of Minority and Women Inclusion to issue strong standards on diversity.

Please find below:

- Letter to agency heads, urging them to support the OMWIs (attached)
- [OMWI Factsheet, tracking progress from 2011-2013](#)
- Oct. 8th *American Banker* [op-ed](#) on the need to hold the private sector accountable

Please let me know if you have any comments or questions.

Best,
Danielle

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[Learn more about Greenlining 360, our effort to create a community anchor institution in Oakland, California.](#)



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October 6, 2014

The Honorable Thomas Curry
Comptroller
Office of the Comptroller of the Currency
400 7th Street SW
Washington, DC 20219

The Honorable Janet Yellen
Chair
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

The Honorable Martin Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

The Honorable Debbie Matz
Chair
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

The Honorable Richard Cordray
Director
Bureau of Consumer Financial Protection
1700 G Street NW
Washington, DC 20552

The Honorable Mary Jo White
Chair
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

The Honorable Luis Aguilar
Commissioner
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

[SENT VIA EMAIL]

**Seizing Opportunity:
Support the Offices of Minority and Women Inclusion to Strengthen Interagency
Standards**

Dear Comptroller Curry, Chair Yellen, Chairman Gruenberg, Chair Matz, Director Cordray,
Chair White, and Commissioner Aguilar,

We write to express overall support, and some concern, for the forthcoming Final Interagency
Joint Standards from the Offices of Minority and Women Inclusion in the Offices of the

Greenlining Coalition

AC Council of Santa Clara County
Allen Temple Baptist Church
American GI Forum
Ansookimetz
APR ISP
Asian Business Association
Asian Int.
Asian Journal
BDA-LA
Brightline Defense Project
CAABA-CAL
California Black Chamber
California Hispanic Chamber

California Journal for Policy
California Rural Legal Assistance
Chicana/Latina Foundation
CHOC
Community Resource Project, Inc.
El Consejo de San Mateo County
Ella Baker Center for Human Rights
FANE Renaissance
Fiesta Alegre Black Chamber
Growth Projects Urban League
HRCGA
Hispanic Chamber of Commerce - Alameda Co.
Hispanic Chamber of Commerce - Orange Co.

HRHR Letter
Korean Chamber for Comm. Development
La Maestra Family Care
MLAPA
Monterey in Medicine & Science, Inc.
National Housing Development Corporation
National Language & Vocational School
NAFCAA
NAACCO
OCCLUR
Our Women
Project Reporter Group
Rising Sun Energy Center

Sacramento Observer
San Francisco African American Chamber
Search to Inclusive Pilgrin-Americans
Sierra-Azusa Community Center
TELACU
The Unity Council
Time for Change Foundation
Union of Comm. Workers
WAGES
Word EDC
West Angeles CDC
West Coast Black Publishers Association

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Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, National Credit Union Administration, Bureau of Consumer Financial Protection, and Securities and Exchange Commission (collectively referred to as “the Agencies”).

The Offices of Minority and Women Inclusion (OMWIs) were created following a financial crisis led by a sector that failed to serve diverse communities. Part of the OMWIs’ duties is to set standards on workforce and supplier diversity for nearly 70,000 regulated entities; it is critical that these standards promote the participation of women and people of color in the sector to the fullest extent possible. If done successfully, this participation has the opportunity to create millions of jobs and billions of dollars in contracting opportunities for historically underutilized populations.

The Greenlining Institute and our partners ask you to demonstrate your leadership and commitment to diversity by supporting the OMWIs to issue strong Final Interagency Joint Standards.

Proposed Interagency Standards: Community Concerns and How to Move Forward

Issued in October of 2013, the Proposed Interagency Joint Standards contain positive language regarding best practices in diversity, but are disappointingly short on specifics. Community advocacy groups were gravely concerned with the lack of accountability of regulated entities in the standards, including: allowing institutions to conduct self-assessments, voluntary reporting to the OMWIs and public, and the absence of standard metrics to assess progress. These elements fail to meet Section 342(c)(1) of the OMWIs’ charter in the Dodd-Frank Act, which reads, “The Director of each Office shall develop and implement standards and procedures to ensure, to the *maximum* extent possible, the fair inclusion and utilization of minorities, women, and minority-owned and women-owned businesses in all business and activities of the agency at all activities...”. We acknowledge that Section 342 does not grant the OMWIs enforcement power, but this does not prohibit the OMWIs from creating more stringent assessment standards and realizing a great potential.

Over 120 diversity and financial reform advocates submitted public comments in February to express concerns and provide pointed suggestions on how to improve the standards. Specific calls, backed by extensive research and successful existing regulatory models, include:

- **Mandate reporting;** The Proposed Standards allow for regulated entities to conduct self-assessments and voluntarily submit these findings to the Agencies. Self-assessments would inherently contain bias from industry and defeat the purpose of regulatory oversight. Voluntary submission, further, invites the poorest performing entities to completely disregard the OMWIs and renders Section 342 meaningless. The OMWIs must issue and then assess a mandatory data call for regulated entities.
- **Standardize assessments of regulated entities;** Currently, the Standards read more as a list of best practices in the form of recommendations, rather than a set of standards. We

anticipate that financial institutions will elect to only report on initiatives, rather than data, they currently have in place that present the company in the best light. Issuing a standard data call will create a transparent benchmark for industry and allow OMWIs to compare like institutions.

- **Clarify language of the standards and establish clear next steps in data collection;** Final Interagency Joint Standards must have outlined specific procedures on the data collection process and timeline to ensure consistency in these assessments. This includes establishing regular intervals of outreach, receipt of data, and publishing.
- **Create an advisory committee of stakeholders knowledgeable in diversity issues, including representatives from the nonprofit, private, and academic sectors, to assist in crafting data requests and reporting standards;** and
- **Increase public access to data on regulated entities to achieve true transparency;** Several California regulatory bodies have created tremendous wins in diversity programming simply by making industry's reports public. Without any quotas, mandates, penalties, or endangering trade secrets, the OMWIs can incentivize regulated entities to increase their utilization of minorities and women through transparency.

Leaders of the financial regulatory agencies have long pledged their support of diversity and inclusion initiatives. We strongly urge you to seize this opportunity to systemically bring equity to the financial sector. To do this, the OMWIs must be given the agency leadership's full support to make the Final Interagency Joint Standards as strong as possible.

It is our hope that the Agencies will reassess community concerns¹ and amend the Proposed Interagency Joint Standards to reflect these recommendations.

Sincerely,

The Greenlining Institute

The 30 organizations below support The Greenlining Institute's solution driven principles.

Americans for Financial Reform
American GI Forum
Americans for Financial Reform
Asian Pacific Islander Small Business Program
Black Business Association
Business Resource Group
California Hispanic Chamber of Commerce
Chicana/Latina Foundation

¹ The Greenlining Institute, "Public Comment Regarding the Proposed Interagency Policy Statement Establishing Joint Standards for Assessing the Policies and Practices of Entities Regulated by the Agencies," February 6, 2014. <http://greenlining.org/wp-content/uploads/2014/02/GreenliningInstituteOMWIInterAgencyComments2.6.14.pdf> .

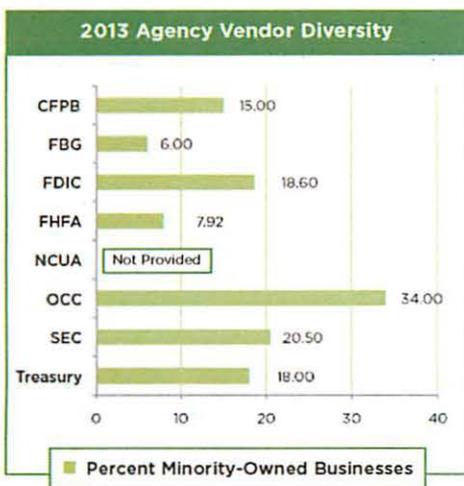
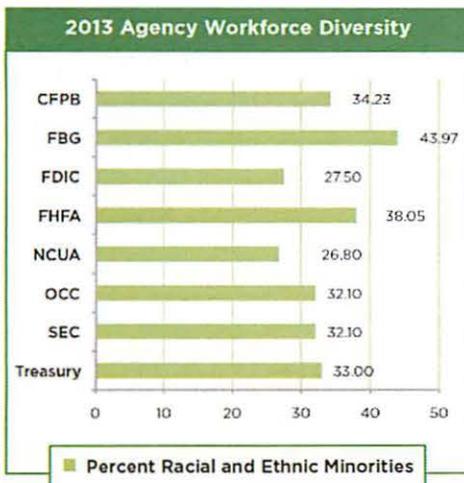
Community Resource Project
Council of Asian American Businesses
Council of Pilipino American Organizations of San Diego County
El Councilio of San Mateo County
Fresno Metro Black Chamber
Gallardo Law & Policy Consulting
Hispanic American Growers Association
La Maestra Family Clinic
Mexican American Political Association
Minority Business RoundTable
Mission Language & Vocational School, Inc.
National Association of Minority Contractors- Northern California
National Federation of Filipino American Associations
National Urban League
National Urban League of Greater Phoenix
Oakland African American Chamber of Commerce
OCCUR
Our Weekly
Southern California Pilipino Chamber of Commerce
Street Level Health Project
West Angeles Community Development Corporation
ZenZen Advisors

cc:

Brian Chernoff
Erika Jeffers
Joy Lee
Joyce Cofield
Loraine Cole
Megan Moore
Monica Barrera
Pamela Gibbs
Representative Al Green
Representative Joyce Beatty
Representative Mark Takano
Representative Maxine Waters
Senator Bob Menendez
Senator Cory Booker
Senator Elizabeth Warren
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Stuart Ishimaru
Twan Samuel

OFFICES OF MINORITY AND WOMEN INCLUSION:

SECTION 342 OF THE DODD-FRANK ACT



Section 342 of the Dodd-Frank Act established Offices of Minority and Women Inclusion (OMWIs) in 20 financial agencies: FDIC, SEC, NCUA, OCC, FHFA, CFPB, the Treasury, Federal Reserve Board of Governors and the 12 regional Federal Reserve Banks. OMWIs must create standards for workforce and supplier diversity (procurement with diverse vendors) for their respective agencies **and** the over 70,000 companies they regulate.

Diversity Brings Opportunity

The demographics of the U.S. are shifting, with minorities becoming the majority by 2042.¹ Diversifying the financial sector is an economic necessity. Despite having more workers of color overall, 2010 and 2013 Government Accountability Office reports show that management level diversity in financial services firms did not change from 1993-2011.² Banks and other financial companies need more diverse leadership to effectively serve the unique needs of a growing majority and access these emerging markets.

The number of minority-owned businesses* in the country is also growing. From 2002-2007, diverse businesses outpaced the growth of non-diverse businesses by total number and gross receipts,³ while small businesses created 64 percent of new private sector jobs from 2002-2010.⁴ Creating proactive standards that encourage diverse contracting serves as a powerful tool for economic development.

Congress Can Increase Accountability and Success

Each year, the OMWIs publish reports to Congress summarizing their progress, but these reports and the OMWIs' potential impact receive little attention. This is in part because the OMWIs have no prescribed oversight, leaving them without standard directives to track progress. Congress can play a role by: establishing a cohort that reviews OMWIs' Annual Reports to Congress; holding an annual hearing to question directors on progress and challenges; urging OMWIs to establish high standards and utilize uniform metrics to track and report progress.

*Businesses at least 51% owned, operated, and controlled by an American racial or ethnic minority group member that is a US Citizen.

Key to Abbreviations

CFPB	Consumer Financial Protection Bureau
FBG	Federal Reserve Board of Governors
FDIC	Federal Deposit Insurance Corporation
FHFA	Federal Housing Finance Agency
NCUA	National Credit Union Administration
OCC	Office of the Comptroller of the Currency
SEC	US Securities and Exchange Commission
Treasury	US Department of the Treasury Departmental Offices

Common Metrics are Necessary

It is critical to be able to compare data across agencies. Some OMWIs have made efforts to standardize metrics, but more work needs to be done. Congress can encourage the OMWIs and their agencies to adopt uniform standards to track and disaggregate diversity data. The charts below show the OMWIs' progress and highlight inconsistencies in key reporting categories.* Data included reflect 2013 Annual Reports to Congress.

*For the purpose of this factsheet, Greenlining highlighted some, but not all, data from OMWI reports. We recommend consulting individual reports online for complete details.

Diversity of Agency Workforce	Percent Change in Minority Employees 2011-2013	Report by Fiscal or Calendar Year	Report Staff Hierarchy by Race/Ethnicity	Report Hiring, Separations, or Promotions by Race/Ethnicity	Report Professional Development Programs by Race/Ethnicity	Report Diversity of Applicant Pool
CFPB*	0.06%	Calendar		X		X
FBG	0.08%	Calendar	X		X	
FDIC	0.71%	Calendar	X	X		X
FHFA	1.10%	Calendar				
NCUA	1.60%	Calendar	X		X	X
OCC	2.10%	Fiscal	X	X	X	
SEC	0.60%	Fiscal	X	X	X	
Treasury	0%	Fiscal		X	X	X

*Percent change for CFPB represents data from 2012-2013, since the CFPB OMWI did not exist in 2011.

Diversity of Agency Vendors	Percent Change in Minority** Vendors 2011-2013	Report by Fiscal or Calendar Year	Report Industry Spend by Race/Ethnicity	Report Spend by Race/Ethnicity	Report by Contract Dollar Size	Report Outcome of Outreach Efforts
CFPB*	-11.00%	Fiscal	X	X		
FBG	-2.90%	Calendar				X
FDIC	6.00%	Calendar	X	X		X
FHFA	-31.69%	Calendar		X		X
NCUA	N/A	Calendar	X			X
OCC	-3.00%	Fiscal	X	X		X
SEC	5.10%	Fiscal	X	X		X
Treasury	-2.00%	Fiscal	X	X		X

*This time frame covers July of 2011 to end of FY 2013

**Only Minority-Owned Business Spend

The Greenlining Institute Economic Equity Program works to overcome the lingering effects of redlining, help communities of color build wealth, and ensure that our financial system works for all.

For more information, contact **Danielle Beavers**, Economic Equity Program Manager at (510) 926-4024 or danielleb@greenlining.org

DESIGN: Vandy Ritter Design, San Francisco
John Christian De Vera, The Greenlining Institute

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¹ "Minorities in U.S. set to become majority by 2042" (2008). *The New York Times*.

http://www.nytimes.com/2008/08/14/world/americas/14iht-census.115284537.html?_r=0.

² "Diversity Management: Trends and Practices in the Financial Services Industry and Agencies after the Recent Financial Crisis" (2013) Government Accountability Office.

<http://www.gao.gov/assets/660/653814.pdf>.

³ "Number of Minority-Owned Businesses Increases but Economic Parity Remains Elusive" (2010). Minority Business Development Agency. <http://www.mdba.gov/node/304>.

⁴ "Frequently Asked Questions" (2012). Small Business Administration. http://www.sba.gov/sites/default/files/FAQ_Sept_2012.pdf.



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AMERICAN BANKER.

Dodd-Frank Diversity Standards Need Real Teeth

Orson Aguilar and Tunua Thrash-Ntuk

OCT 8, 2014 12:00pm ET

Congress passed the Dodd-Frank Act in an effort to remedy critical failures and implicit bias in our financial system. A key part of that effort is now approaching a crossroads. If all goes well, we could establish standards that lead to a more vibrant, diverse and responsive banking sector. The alternative is that yet another set of well-meaning reforms will wind up as little more than feel-good rhetoric.

We are referring to the Offices of Minority and Women Inclusion, established in eight financial agencies and twelve Federal Reserve banks under Sec. 342 of Dodd-Frank. The offices were created to bolster diversity within the agencies and the firms they regulate. Congress recognized that communities of color had been targeted for predatory lending and were among the groups hit hardest by the financial crisis, which wiped away decades of progress since the passage of fair housing laws in the 1960s. Lawmakers understood that including diverse voices in the management of both financial businesses and the agencies that regulate them could promote sustainable banking practices aimed at communities of color and low- to moderate-income Americans, helping our whole economy.

One year ago, the OMWIs in six of those agencies issued a set of proposed standards designed to guide improvements in workforce and supplier diversity for nearly 70,000 regulated institutions. These interagency standards, set to be finalized before the end of the year, represent a historic opportunity to make real progress in expanding the role of women and people of color in the financial sector. They can spur the creation of diversity initiatives that work in the real world and make the whole industry stronger. But the standards will only achieve these goals if they have real teeth.



Unfortunately, while the draft standards contain some excellent language on diversity best practices, they are disappointingly short on specifics. History tells us that what gets measured gets done. While the OMWIs are not empowered to enforce diversity practices, nothing in the law prevents them from creating stringent, transparent standards for reporting and disclosure. For that reason, we have joined with other advocates to propose the following changes for the final standards:

Mandate reporting.

The proposed standards allow regulated entities to conduct self-assessments on employee and supplier diversity and voluntarily submit these findings to the agencies. But self-assessments open the door for institutions to offer spin rather than data. Meanwhile, a voluntary submission policy invites the poorest-performing entities to simply disregard the OMWIs, rendering the standards meaningless. Instead of voluntary self-assessments, the OMWIs should issue a mandatory data call for regulated entities.

Standardize assessments of regulated entities.

Because the draft standards read more as a list of recommended best practices than as a set of standards, financial institutions are likely to report on initiatives that present the company in the best light rather than provide hard data. Issuing a standard data call will create a transparent benchmark for industry, allowing the OMWIs to compare similar institutions and saving regulators a lot of time and resources as they sort through 70,000 reports.

Clarify the language of the standards and establish clear next steps in data collection.

The final standards should outline specific procedures for the data collection process and provide a timeline for the process to ensure that the assessments are consistent. The OMWIs should also establish regular periods during which they will ask financial institutions for their personnel and supplier diversity information, receive the data and publish the results.

Establish an advisory committee knowledgeable in diversity issues.

A committee that includes representatives from the nonprofit, private and academic sectors could help the OMWIs better understand diversity and inclusion in the financial sector as well as existing best practices in other fields, helping them to craft more precise questions that yield more useful data.

Increase public access to data on regulated entities.

Several California regulatory bodies have taken major strides in diversity programming simply by making industry reports public. Without requiring quotas, mandates, penalties, or endangering trade secrets, the OMWIs can use transparency to incentivize regulated entities to increase their utilization of minorities and women.

Leaders of the financial regulatory agencies have long pledged their support of diversity and inclusion initiatives. We now have an irreplaceable opportunity to make those pledges concrete. To accomplish this, agency leaders must give the OMWIs full support to make the final standards quantifiable and as strong as possible.

Orson Aguilar is executive director of The Greenlining Institute. Tunua Thrash-Ntuk is executive director of the West Angeles Community Development Corporation.



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