



Americans for Financial Reform
1629 K St NW, 10th Floor, Washington, DC, 20006
202.466.1885

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Joyce Cofield
Executive Director
Office of Minority and Women Inclusion
Office of the Comptroller of the Currency
400 7th Street SW
Washington, DC 20219

Sheila Clark
Director
Office of Minority and Women Inclusion
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Melodee Brooks
Senior Deputy Director
Office of Minority and Women Inclusion
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Linda Dent
Acting Director
Office of Minority and Women Inclusion
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Stuart Ishimaru
Director
Office of Minority and Women Inclusion
Bureau of Consumer Financial Protection
1700 G Street NW
Washington, DC 20552

Pamela Gibbs
Director
Office of Minority and Women Inclusion
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Docket No. OP-1465

**Americans for Financial Reform's Public Comment on the Offices of Minority and Women Inclusion's
Proposed Interagency Policy Statement**

Dear Ms. Cofield, Ms. Clark, Ms. Brooks, Ms. James, Mr. Ishimaru, and Ms. Gibbs,

On behalf of Americans for Financial Reform (AFR), we thank you for the opportunity to respond to the Request for Comments on the "Proposed Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity Policies and Practices of Entities Regulated by the Agencies." AFR is a coalition of more than 250 national, state, and local groups who have come together to advocate for reform of the financial industry. Members of AFR include consumer, civil rights, investor, retiree, community, labor, faith based, and business groups along with prominent independent experts.

Background

Section 342 of the Dodd-Frank Act established 20 Offices of Minority and Women Inclusion (OMWIs) at the following financial regulatory agencies and federal reserve banks: the Department of the Treasury, Office of the Comptroller of the Currency, Securities and Exchange Commission, National Credit Union Administration, Federal Deposit Insurance Corporation, Federal Housing Finance Agency, Consumer Financial Protection Bureau, Federal Reserve Board of Governors, and the 12 Federal Reserve regional banks. Each agency's OMWI director is charged with increasing workforce and supplier diversity in the financial sector. Section 342 also mandates that each OMWI director develop standards for assessing the diversity policies and practices of entities that are regulated by the agency.

When Rep. Maxine Waters (D-CA) proposed Section 342 in 2010 she explained "I wrote this legislation to make sure that federal financial regulatory agencies ensure diversity in their hiring and promotion, as well as in their contracting, so that competent and qualified minorities and women and minority-, women- and small-businesses have a seat at the table."¹

The OMWIs proposed standards have the potential to affect nearly 70,000 institutions, millions of jobs, and billions of dollars in contracting. AFR supports measures to implement standards and promote transparency when it comes to increasing diversity in the financial sector, and believes that this area needs greater attention. The NAACP has found that top management positions remain dominated by white employees despite programs implemented to increase diversity, and that the percentage of African Americans in management positions in the financial services has actually fallen somewhat since 2000.² Additionally, an analysis by the Greenlining Institute on 19 of the 20 federal financial regulatory agencies that have created an OMWI, found that the ethnic and racial makeup of the financial regulators does not reflect the American workforce. In fact, the report found that diversity in executive management positions is low at all agencies relative to the share of minorities in the civilian labor force.³

Abusive practices in the lending industry have disproportionately impacted minority communities, and more diverse leadership should be one ingredient of changing this. The impact of abusive mortgage lending, for example, has been particularly pernicious. Minority borrowers received a disproportionate share of subprime mortgages, and were targeted for subprime loans even when they qualified for prime loans. In the lead up to the financial crisis Black and Latino high-income borrowers were three times as likely as high-income white borrowers to receive subprime loans.⁴

¹ Office of Congresswoman Maxine Waters, "Waters Wins Big for Minorities, Women in Wall St Reform and Consumer Protection Bill," July 1, 2010.

<http://waters.house.gov/news/documentsingle.aspx?DocumentID=193428>

² "Opportunities & Diversity Report Card: Consumer Banking Industry," NAACP, 2014.

http://naacp.3cdn.net/720726683ce9cb8a3e_0bm6vl0at.pdf

³ Preeti Vissa and Divya Sundar, "Government That Looks Like America? Racial and Ethnic Diversity in Financial Regulatory Institutions," The Greenlining Institute, 2012. <http://greenlining.org/wp-content/uploads/2013/02/OMWIforGIwebsite.pdf>

⁴ Andrew Jakabovics and Jeff Chapman, "Unequal Opportunity Lenders? Analyzing Racial Disparities in Big Banks," Center for American Progress, September 2009.

http://www.americanprogress.org/issues/2009/09/pdf/tarp_report.pdf

While loose regulations within the financial sector allowed entities to prey on all consumers, minority communities have suffered on a disproportionate level. The Center for Responsible Lending has estimated that between 2007-2009, African Americans experienced 790 completed foreclosures per 10,000 loans (originated between 2005-2008), Latino families experienced 769 foreclosures per 10,000 loans, and non-Hispanic White families experienced 452 foreclosures per 10,000 loans.⁵ And the costs of these foreclosures extend beyond the costs to individual families; in fact the foreclosure crisis has threatened, and continues to threaten, the financial stability and mobility of minority families and the communities in which they live. Increasing diversity within the financial sector is one key to keeping that sector more attuned to the impacts that financial products and services have—and will continue to have—on minority populations and the communities in which they live.

The Proposed Joint Standards

The creation of the OMWIs in Section 342 of the Dodd-Frank Act is very important. Unfortunately, the proposed joint standards released by six of the federal agencies fall disappointingly short on specifics. In particular, the standards the group has proposed do not provide sufficient detail or uniformity, and do not provide strong enough accountability measures to ensure that the goals of increasing workforce and supplier diversity are met. These issues with the proposed standards, along with suggestions, are highlighted below.

Self-assessments

One problem with the proposed standards is that the agencies have chosen to rely on “self-assessment” by the financial firms they regulate. It would have significantly more impact if the OMWIs would devote staff and develop methodologies to conduct assessments of the entities that they regulate.

Furthermore, the standards suggest voluntary disclosure of firms’ self-assessments to the appropriate agency, along with any other information the entity “deems relevant.” If the standards are to increase transparency and accountability on diversity, firms should be required to disclose their assessments. There is nothing in the statute that suggests that entities cannot be required to do so, and leaving the disclosures voluntary threatens to make the OMWIs, and their mission, essentially irrelevant.

In addition to being shared with the OMWI’s firms, self-assessments should be shared with the public. Especially because there are no specific diversity mandates permitted by the statute, in order to increase the impact of the standards, there should be an element of public accountability.

Assessment criteria and specifics

The proposed standards contain recommendations on best practices for assessments, but lack standardized assessment criteria. Unfortunately, this omission creates the risk that financial institutions could choose to only select reports on initiatives they currently have in place. Furthermore, without

⁵ Debbie Gruenstein Bocian, Wei Li, and Keith S. Ernst. “Foreclosures by Race and Ethnicity: The Demographics of a Crisis.” Center for Responsible Lending, June 18, 2010. <http://www.responsiblelending.org/mortgage-lending/research-analysis/foreclosures-by-race-and-ethnicity.html>

uniform metrics, stakeholders will have a hard time comparing financial institutions. AFR urges the agencies to issue standardized surveys both in order to gain an easily comparable understanding of regulated institutions' performance, and to ensure that key questions are covered. The creation of an advisory board could both provide feedback to and guide the OMWIs in crafting questionnaires with specific metrics; additionally questionnaires could be tailored to be appropriate to regulated entities of different sizes. Board members could include representatives from financial institutions, nonprofits, academia, and experts from other agencies and sectors that have successfully created diversity programs.

Reporting timelines and data analysis

The proposed standards do not specify procedures for collecting data on the composition of regulated entities and contractors' workforces and leadership on metrics such as race, ethnicity, and gender or what actions will be taken after such data is collected. The interagency group should conduct a regular analysis of such data, and the scope of this analysis should be outlined in final interagency standards. The data collection process could be streamlined if OMWIs set regular deadlines for data submission as well as for OMWI analysis of collected data.

Limiting enforcement capabilities

Section 342(b)(4) significantly limits the OMWIs enforcement authority by stating that "nothing in paragraph (2)(c) may be construed to mandate any requirement on or otherwise affect the lending policies and practices of any regulated entity, or to require any specific action based on the findings of the assessment." However, this language does not prohibit the OMWIs from creating stronger assessment standards than currently presented. Section 342(c)(1) of the law states that "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..." AFR urges the interagency OMWIs to strengthen their standards, and the procedures that will determine their impact, in order to meet these goals.

Thank you for the opportunity to participate in this process. Should you have any questions, please contact AFR policy analyst Rebecca Thiess at 202-973-8005 or thiess@ourfinancialsecurity.org.

Sincerely,

Americans for Financial Reform

Following are the partners of Americans for Financial Reform.

All the organizations support the overall principles of AFR and are working for an accountable, fair and secure financial system. Not all of these organizations work on all of the issues covered by the coalition or have signed on to every statement.

- AARP
- A New Way Forward
- AFL-CIO
- AFSCME
- Alliance For Justice
- American Income Life Insurance
- American Sustainable Business Council
- Americans for Democratic Action, Inc
- Americans United for Change
- Campaign for America's Future
- Campaign Money
- Center for Digital Democracy
- Center for Economic and Policy Research
- Center for Economic Progress
- Center for Media and Democracy
- Center for Responsible Lending
- Center for Justice and Democracy
- Center of Concern
- Center for Effective Government
- Change to Win
- Clean Yield Asset Management
- Coastal Enterprises Inc.
- Color of Change
- Common Cause
- Communications Workers of America
- Community Development Transportation Lending Services
- Consumer Action
- Consumer Association Council
- Consumers for Auto Safety and Reliability
- Consumer Federation of America
- Consumer Watchdog
- Consumers Union
- Corporation for Enterprise Development
- CREDO Mobile
- CTW Investment Group
- Demos
- Economic Policy Institute
- Essential Action
- Green America
- Greenlining Institute
- Good Business International

- HNMA Funding Company
- Home Actions
- Housing Counseling Services
- Home Defender's League
- Information Press
- Institute for Agriculture and Trade Policy
- Institute for Global Communications
- Institute for Policy Studies: Global Economy Project
- International Brotherhood of Teamsters
- Institute of Women's Policy Research
- Krull & Company
- Laborers' International Union of North America
- Lawyers' Committee for Civil Rights Under Law
- Main Street Alliance
- Move On
- NAACP
- NASCAT
- National Association of Consumer Advocates
- National Association of Neighborhoods
- National Community Reinvestment Coalition
- National Consumer Law Center (on behalf of its low-income clients)
- National Consumers League
- National Council of La Raza
- National Council of Women's Organizations
- National Fair Housing Alliance
- National Federation of Community Development Credit Unions
- National Housing Resource Center
- National Housing Trust
- National Housing Trust Community Development Fund
- National NeighborWorks Association
- National Nurses United
- National People's Action
- National Urban League
- Next Step
- OpenTheGovernment.org
- Opportunity Finance Network
- Partners for the Common Good
- PICO National Network
- Progress Now Action
- Progressive States Network
- Poverty and Race Research Action Council
- Public Citizen
- Sargent Shriver Center on Poverty Law
- SEIU
- State Voices
- Taxpayer's for Common Sense
- The Association for Housing and Neighborhood Development
- The Fuel Savers Club

- The Leadership Conference on Civil and Human Rights
- The Seminal
- TICAS
- U.S. Public Interest Research Group
- UNITE HERE
- United Food and Commercial Workers
- United States Student Association
- USAction
- Veris Wealth Partners
- Western States Center
- We the People Now
- Woodstock Institute
- World Privacy Forum
- UNET
- Union Plus
- Unitarian Universalist for a Just Economic Community

List of State and Local Partners

- Alaska PIRG
- Arizona PIRG
- Arizona Advocacy Network
- Arizonans For Responsible Lending
- Association for Neighborhood and Housing Development NY
- Audubon Partnership for Economic Development LDC, New York NY
- BAC Funding Consortium Inc., Miami FL
- Beech Capital Venture Corporation, Philadelphia PA
- California PIRG
- California Reinvestment Coalition
- Century Housing Corporation, Culver City CA
- CHANGER NY
- Chautauqua Home Rehabilitation and Improvement Corporation (NY)
- Chicago Community Loan Fund, Chicago IL
- Chicago Community Ventures, Chicago IL
- Chicago Consumer Coalition
- Citizen Potawatomi CDC, Shawnee OK
- Colorado PIRG
- Coalition on Homeless Housing in Ohio
- Community Capital Fund, Bridgeport CT
- Community Capital of Maryland, Baltimore MD
- Community Development Financial Institution of the Tohono O'odham Nation, Sells AZ
- Community Redevelopment Loan and Investment Fund, Atlanta GA
- Community Reinvestment Association of North Carolina
- Community Resource Group, Fayetteville A
- Connecticut PIRG
- Consumer Assistance Council
- Cooper Square Committee (NYC)
- Cooperative Fund of New England, Wilmington NC

- Corporacion de Desarrollo Economico de Ceiba, Ceiba PR
- Delta Foundation, Inc., Greenville MS
- Economic Opportunity Fund (EOF), Philadelphia PA
- Empire Justice Center NY
- Empowering and Strengthening Ohio's People (ESOP), Cleveland OH
- Enterprises, Inc., Berea KY
- Fair Housing Contact Service OH
- Federation of Appalachian Housing
- Fitness and Praise Youth Development, Inc., Baton Rouge LA
- Florida Consumer Action Network
- Florida PIRG
- Funding Partners for Housing Solutions, Ft. Collins CO
- Georgia PIRG
- Grow Iowa Foundation, Greenfield IA
- Homewise, Inc., Santa Fe NM
- Idaho Nevada CDFI, Pocatello ID
- Idaho Chapter, National Association of Social Workers
- Illinois PIRG
- Impact Capital, Seattle WA
- Indiana PIRG
- Iowa PIRG
- Iowa Citizens for Community Improvement
- JobStart Chautauqua, Inc., Mayville NY
- La Casa Federal Credit Union, Newark NJ
- Low Income Investment Fund, San Francisco CA
- Long Island Housing Services NY
- MaineStream Finance, Bangor ME
- Maryland PIRG
- Massachusetts Consumers' Coalition
- MASSPIRG
- Massachusetts Fair Housing Center
- Michigan PIRG
- Midland Community Development Corporation, Midland TX
- Midwest Minnesota Community Development Corporation, Detroit Lakes MN
- Mile High Community Loan Fund, Denver CO
- Missouri PIRG
- Mortgage Recovery Service Center of L.A.
- Montana Community Development Corporation, Missoula MT
- Montana PIRG
- New Economy Project
- New Hampshire PIRG
- New Jersey Community Capital, Trenton NJ
- New Jersey Citizen Action
- New Jersey PIRG
- New Mexico PIRG
- New York PIRG
- New York City Aids Housing Network
- New Yorkers for Responsible Lending

- NOAH Community Development Fund, Inc., Boston MA
- Nonprofit Finance Fund, New York NY
- Nonprofits Assistance Fund, Minneapolis M
- North Carolina PIRG
- Northside Community Development Fund, Pittsburgh PA
- Ohio Capital Corporation for Housing, Columbus OH
- Ohio PIRG
- OligarchyUSA
- Oregon State PIRG
- Our Oregon
- PennPIRG
- Piedmont Housing Alliance, Charlottesville VA
- Michigan PIRG
- Rocky Mountain Peace and Justice Center, CO
- Rhode Island PIRG
- Rural Community Assistance Corporation, West Sacramento CA
- Rural Organizing Project OR
- San Francisco Municipal Transportation Authority
- Seattle Economic Development Fund
- Community Capital Development
- TexPIRG
- The Fair Housing Council of Central New York
- The Loan Fund, Albuquerque NM
- Third Reconstruction Institute NC
- Vermont PIRG
- Village Capital Corporation, Cleveland OH
- Virginia Citizens Consumer Council
- Virginia Poverty Law Center
- War on Poverty - Florida
- WashPIRG
- Westchester Residential Opportunities Inc.
- Wigamig Owners Loan Fund, Inc., Lac du Flambeau WI
- WISPIRG

Small Businesses

- Blu
- Bowden-Gill Environmental
- Community MedPAC
- Diversified Environmental Planning
- Hayden & Craig, PLLC
- Mid City Animal Hospital, Pheonix AZ
- UNET