



FEDERAL HOUSING FINANCE AGENCY
Office of Minority and Women Inclusion

Annual Report to Congress

January 2011 – December 2011

**Federal Housing Finance Agency
Office of Minority and Women Inclusion
Section 342
2011 Annual Report to Congress
March 2012**

Introduction

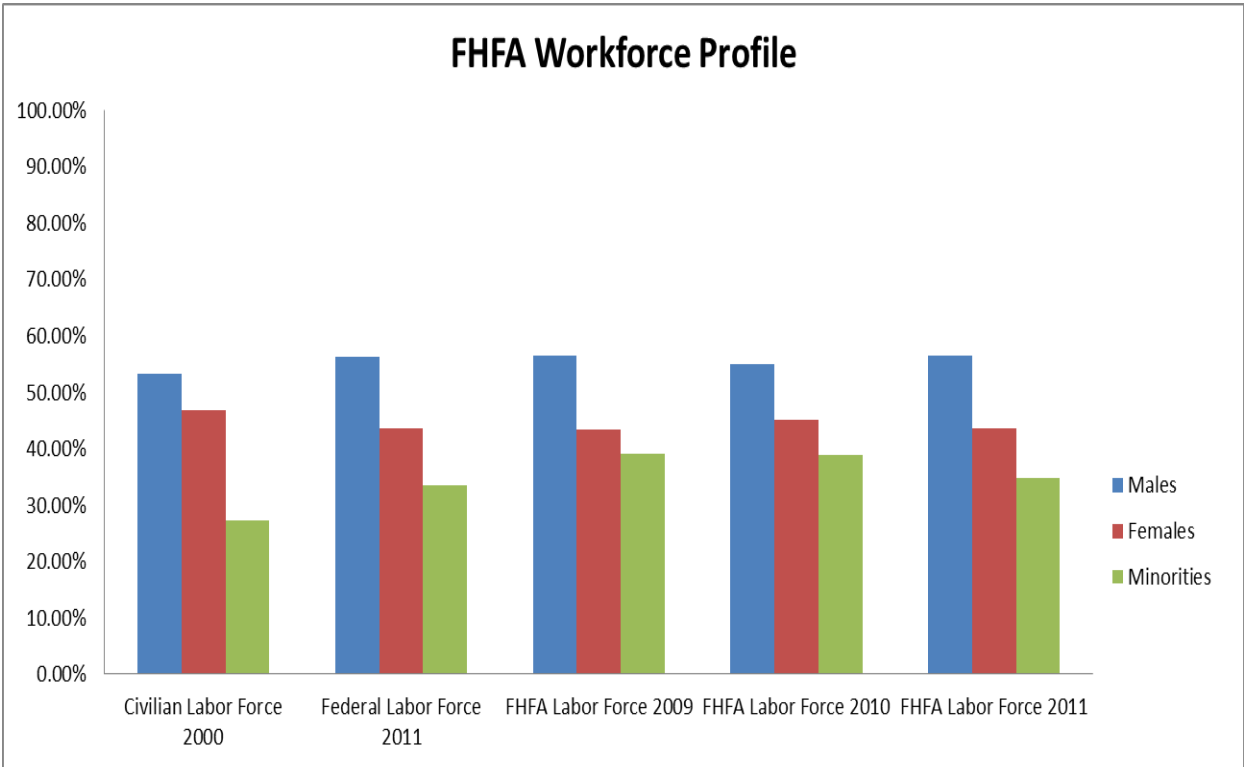
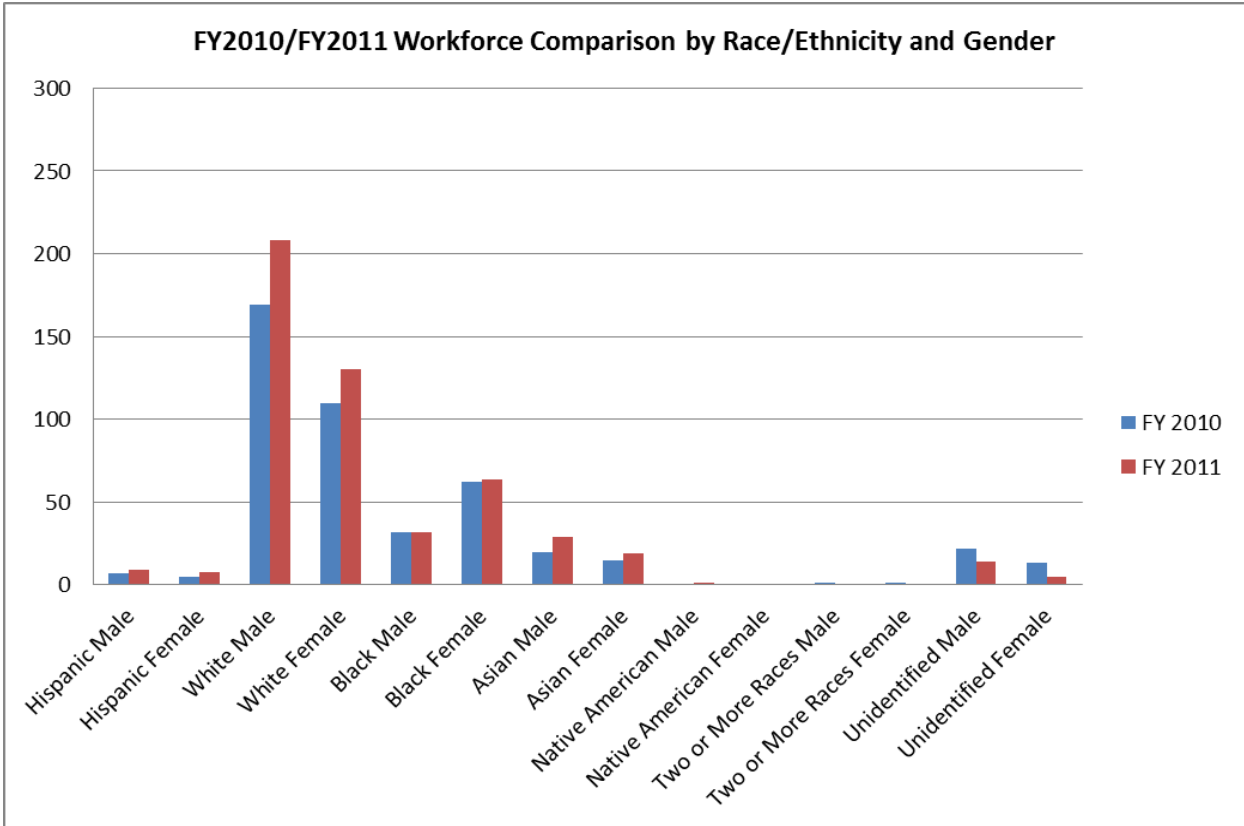
The Federal Housing Finance Agency (FHFA or Agency) is an independent agency in the executive branch of the United States Government established by the Housing and Economic Recovery Act (HERA) in 2008. FHFA's primary mission is to provide effective supervision, regulation, and housing mission oversight of the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), and the Federal Home Loan Bank (FHLBank) System, to promote their safety and soundness, support housing finance and affordable housing, and support a stable and liquid mortgage market.

On January 21, 2011, FHFA established its Office of Minority and Women Inclusion (OMWI or Office) pursuant to the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act). Section 342(e) of the Dodd-Frank Act requires FHFA to submit an annual report to Congress regarding the diversity activities the Agency has undertaken in the areas of management, employment, and business. This report, FHFA's first Annual Report pursuant to Section 342(e) of the Dodd-Frank Act, covers diversity-related activities the Agency has engaged in during the 2011 calendar year.

Background

FHFA is a small government agency with a workforce that primarily includes highly skilled economists, market analysts, bank examiners, technology specialists, accountants, and attorneys. The Agency is headquartered in Washington, D.C. The majority of FHFA employees reside in the Washington, D.C. metropolitan area. Approximately 15 percent of the Agency's employees are located throughout the country near institutions of the FHLBank System. The Agency is led by a full-time Director who is appointed by the President with the advice and consent of the Senate. The Director is responsible for the management of the Agency.

FHFA experienced moderate expansion during 2011 as the Agency added new staff in response to its growing responsibilities under HERA and the Dodd-Frank Act, as well as its extended conservatorship of Fannie Mae and Freddie Mac. FHFA had 544 employees as of December 31, 2011, of which 57.0 percent were male and 43.0 percent were female. Minorities comprised 30.8 percent of the workforce as of December 31, 2011. Whites represented 63.2 percent of the Agency workforce. Blacks made up 18.8 percent, Asians represented 8.8 percent, and Hispanics made up 2.8 percent. Six percent did not self-identify and 0.4 percent claimed two or more races.



Actions Taken by FHFA and OMWI

During 2011, in response to the requirements of the Dodd-Frank Act, FHFA revised and enhanced several of its programs and initiatives to increase employment and promotion opportunities for minorities and women. FHFA also initiated several actions designed to increase procurement and business opportunities for minority-owned and women-owned businesses (MWOBs).

Actions Related to Expanding Employment and Promotion Opportunities

- The Agency expanded its outreach and recruitment efforts and focused on building collaborative relationships with trade and advocacy organizations that primarily serve minority and women professionals. The Agency engaged in these activities to increase its employment profile and to ensure that more minority and women candidates were aware of FHFA employment opportunities. The outreach and recruitment events FHFA participated in include the following:
 - National Association of Securities Professionals (NASP) Roundtable & Commercial Diversity Conference;
 - Urban Financial Services Coalition Roundtable on Financial Education;
 - Wounded Warrior Career Fairs;
 - Careers for the Disabled Career Fair;
 - Asian Diversity Career Fair;
 - ASCEND Asian Leadership Career Fair;
 - Florida Minority Community Reinvestment Coalition Conference;
 - Blacks in Government Annual Conference Career Fair;
 - National Association African American MBAs (NAAMBAA) DC Chapter Career Expo;
 - Hispanic Association of Colleges and Universities (HACU) Annual Conference Career Fair;
 - National Society of Hispanic MBA's (NSHMBA) Conference;
 - U.S. Hispanic Chamber of Commerce Conference; and
 - League of United Latin American Citizens Conference (LULAC).
- FHFA contracted with an executive search firm to recruit candidates for executive-level positions. As a key part of its charge, the firm was directed to make every effort to generate a diverse pool of candidates.
- The Agency established an employee referral system to incentivize employees to identify and refer highly qualified candidates for mission-critical and executive level positions.
- FHFA added language promoting and supporting diversity and inclusion to the Values Statement in its Strategic Plan for 2012 through 2015. The revised Values Statement articulates the importance FHFA places on diversity and inclusion.

The addition of this value will influence the strategic direction and resource allocation of the Agency.

- FHFA hosted a recruiting event called “An Evening with FHFA” to attract a well-qualified and diverse pool of skilled minority and women candidates. The event targeted more than 160 accountants, economists, examiners, financial analysts, and other industry professionals with at least five years of experience in their respective fields. The Agency partnered with the following organizations to ensure qualified candidates were targeted to attend the event: The Association of Latino Professionals in Finance and Accounting, the National Association of Black Accountants, the National Association of Women MBAs, Women in Housing and Finance, NASP, ASCEND, NAAMBAA, HACU, and NSHMBA.
- FHFA sponsored a seminar to promote workforce diversity during 2011. Senior leaders were required to attend. The seminar covered applicable laws, the concepts of employment fairness and equality, and the use of tools and techniques to effectively manage a diverse workforce. It focused on helping managers understand the challenges and opportunities associated with effectively managing a diverse workforce. The objective of the session was to emphasize the value and importance of inclusiveness and demonstrate how a diverse workforce can benefit an organization.
- FHFA added a diversity seminar to the annual supervision conference it sponsors for professional staff members who conduct or manage the examinations and analysis of Fannie Mae, Freddie Mac, and the FHLBank System. Participants learned about creating and sustaining workplace change in order to foster a more diverse, inclusive, respectful and productive organization.
- FHFA added several online diversity courses to its catalog of training resources during 2011. Agency managers and supervisors were encouraged to enhance their knowledge of diversity and inclusion by taking these courses.
- FHFA is in the process of developing a Diversity and Inclusion Strategic Plan that will enable it to fulfill the goals identified in Executive Order 13583 – *Establishing a Coordinated Government-wide Initiative to Promote Diversity and Inclusion in the Federal Workforce* issued August 18, 2011. The Plan will aid the Agency in coordinating its diversity and inclusion efforts in a collaborative and integrated manner.

Actions Related to Expanding Diversity in Contracting and Procurement

- FHFA evaluated all of the contracts it had in place during 2010 to establish a baseline for annual spending with MWOBs.

- FHFA created a contractor database of all vendors interested in doing business with FHFA that can be reviewed and used to find potential MWOBs for providing notification about contracting opportunities.
- FHFA expanded its outreach efforts by working with professional and advocacy organizations to generate interest by MWOBs in doing business with FHFA.
- FHFA participated in several business-marketing events sponsored by the Hispanic Chamber of Commerce.
- The Agency met with LULAC officials to develop strategies for identifying Hispanic-owned firms that might be interested in doing business with FHFA as well as the entities it regulates.
- FHFA participated in outreach and information-gathering events to solicit feedback from Hispanic industry professionals and businesses in order to continue to refine our approaches.
- FHFA initiated discussions with organizations such as the Minority Business Development Agency and the Small Business Administration to leverage their expertise and knowledge in order to increase the Agency's MWOB participation.

Information Required Under Section 342(e) of the Dodd-Frank Act

Total amounts FHFA paid to contractors during 2011

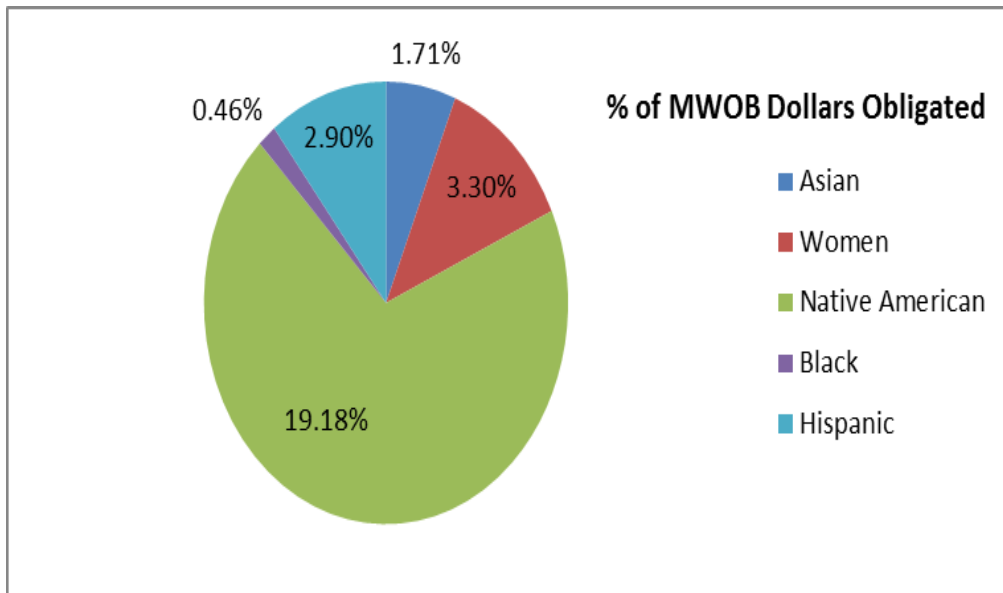
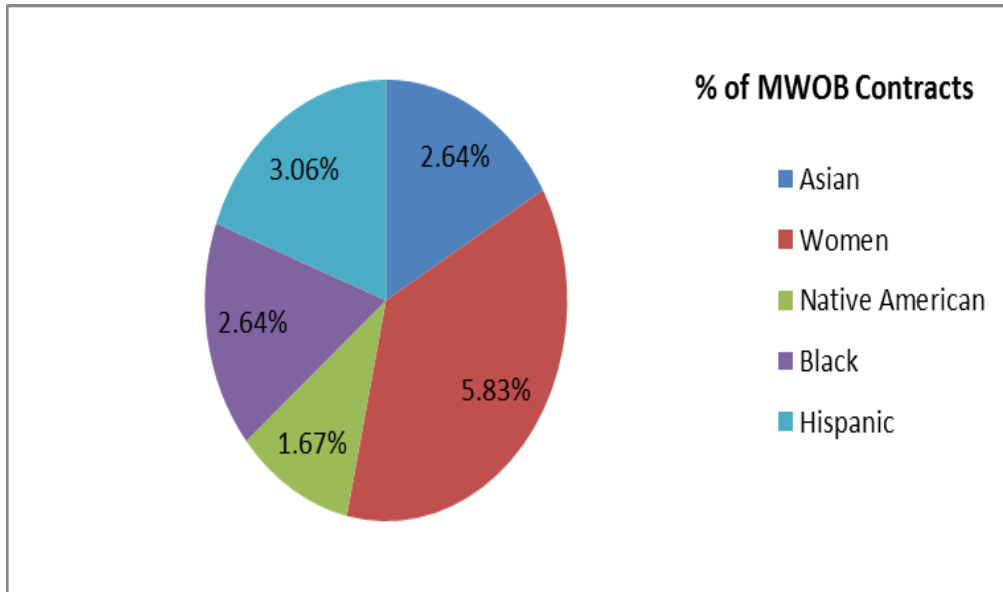
- During 2011, FHFA executed 720 contractual actions totalling \$69,914,642. Of the 720 contracting actions, 88 actions were associated with MWOBs representing 12.22 percent of all contracting actions.
- FHFA was instrumental in facilitating significant minority participation in the awarding of a \$23 million build-out contract for FHFA's Constitution Center Office. The landlord for the Constitution Center, David Nassif Associates, awarded the general contract for build-out to a joint venture, Davis Bundy JV, which consists of Davis Construction and a women-owned small business, Bundy Construction. Davis Bundy JV included 20 percent women owned business participation and a minimum 20 percent minority business participation.

Total amount and related percentage paid to MWOBs during 2011

- FHFA contracted a total of \$17,301,942 to MWOBs in 2011, which represents 27.55 percent of the total obligated dollars to all contractors. The breakdown of the contracts by MWOBs is as follows:

Minority- and Women-Owned Businesses Contract Actions Profile¹

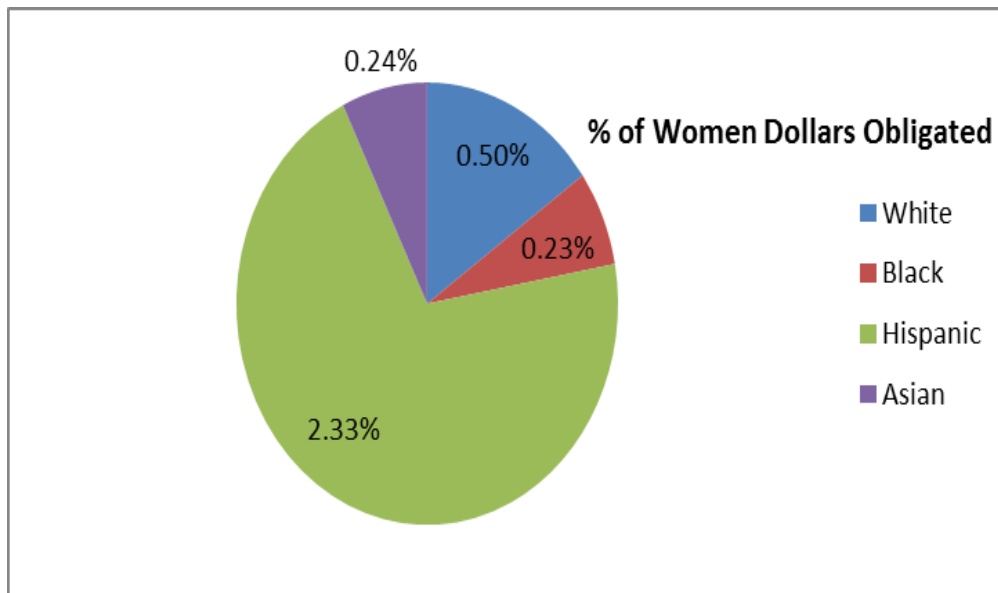
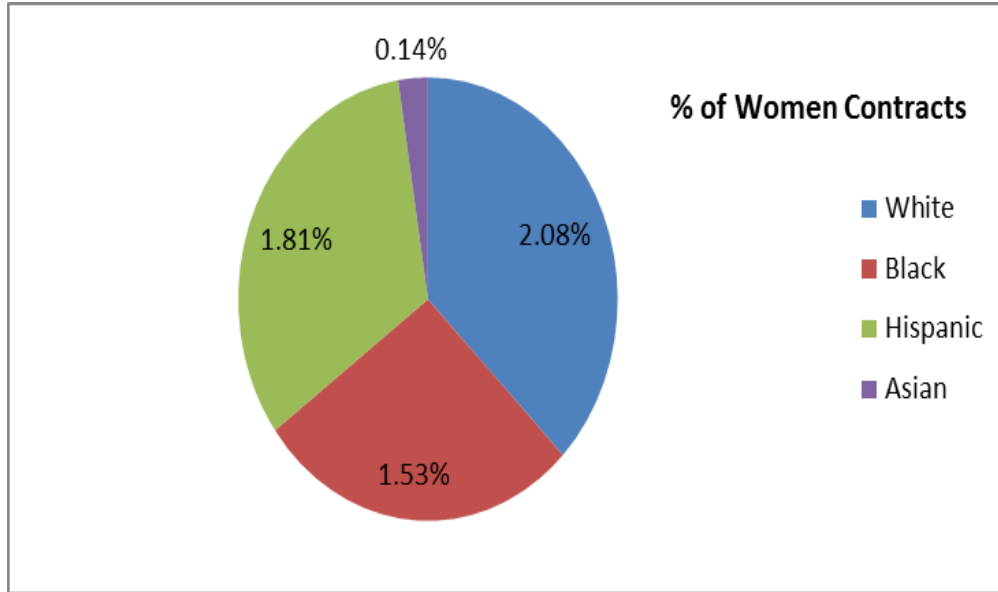
<i>MWOB Contract Actions</i>	<i>Percent of Contract Actions</i>	<i>Percent of Dollars Obligated</i>
Asian	2.64%	1.71%
Women	5.83%	3.30%
Native American	1.67%	19.18%
Black	2.64%	0.46%
Hispanic	3.06%	2.90%



¹ Certain contractual actions are counted as both minority- and women-owned businesses, as appropriate.

Women-Owned Businesses Contract Actions Profile²

<i>Women Contract Actions</i>	<i>Percent of Contract Actions</i>	<i>Percent of Dollars Obligated</i>
White	2.08%	0.50%
Black	1.53%	0.23%
Hispanic	1.81%	2.33%
Asian	0.14%	0.24%



² Certain contractual actions are counted as both minority- and women-owned businesses, as appropriate.

Successes achieved in operating minority and women outreach programs

- In 2011, FHFA exhibited at 11 procurement trade events, of which four events targeted MWOBs. FHFA's OMWI provided information on procurement opportunities to approximately 300 minority- and women-owned businesses. OMWI also provided some limited technical assistance to attendees.
- FHFA created a brochure titled *Doing Business with FHFA* to increase transparency regarding the types of supplies and services for which the Agency contracts, as well as information about the registration, qualification, solicitation, and selection processes.
- FHFA created a new section on its website that functions as an informational portal to assist all businesses, including small businesses, MWOBs, and contractors. The portal provides links to the *Doing Business with FHFA* brochure, contact information for the Agency's procurement office, and a link to information about FHFA's OMWI. Businesses can now register with the Agency by following the information contained in this online resource and be added to FHFA's database for consideration on future solicitations.
- OMWI developed an additional list of over 105 MWOB firms through its outreach activities in 2011. OMWI is currently providing technical assistance to these companies so they can position themselves for future solicitation opportunities.
- FHFA is developing a contract clause for inclusion in contract awards over \$150,000. The clause requires prime contractors to confirm their commitment to diversity and to the inclusion of minorities and women in their workforces and their subcontractors' workforces.

Challenges faced in hiring qualified minority and women employees

- FHFA faced several challenges in the participation of minorities and women in recruitment, hiring and promotions. While the Agency compares favorably with other federal agencies with regard to its overall percentage of minorities and women in its workforce, the Agency faced challenges recruiting Hispanic candidates and Native American candidates.
- Minorities and women are underrepresented in executive positions at FHFA. FHFA has defined its executive leadership team as senior officials. Internally, this group is referred to as the LL grade level, which is equivalent to the Senior Executive Service in other federal agencies.
- Minorities comprised 30.8 percent of the workforce. This is above the 27.3 percent in the civilian labor force but below the 33.5 percent for the federal workforce.

- The Agency experienced a modest increase in Hispanic employment from 2.62 percent in 2010 to 2.8 percent in 2011. Although Hispanic representation in FHFA's workforce improved in 2011, it continues to be significantly below the 13.8 percent Hispanic representation found in the civilian labor force and the 8.0 percent in the federal workforce.
- Women and minorities have lower participation rates in higher-grade levels at FHFA. FHFA employed 71.1 percent of its workforce in grades EL-13 or higher as of December 31, 2011. Females represented 42.4 percent of FHFA employees in grades EL-13 or higher. Minorities represented 27.6 percent of FHFA employees in grades EL-13 or higher.
- Women and minorities have lower participation rates in the Agency's executive positions. FHFA employed 59 executive level employees as of December 31, 2011. Females represented 25.4 percent of FHFA's executive level employees. Minorities represented 10.2 percent of FHFA's executive level employees.
- FHFA's mission-critical occupations require highly skilled practitioners with significant experience analyzing or examining large, complex financial institutions and financial products. Most employees join the Agency at the mid-career level bringing experience in the same or a closely related area from a position with another regulatory agency or the private sector. FHFA does not currently have entry-level or on-the-job-training. The Agency is currently developing a examiner commissioning program that will expand the pool of potential candidates for mission-critical positions.
- The Agency has also experienced challenges in the recruitment and promotion of minority executives. FHFA's recruitment strategies have previously been limited to posting open positions on *USAJobs* and other public websites, as well as attending recruitment fairs targeting economics, accounting, and business professionals. During 2011, FHFA contracted with an executive recruitment firm to identify qualified candidates, including minorities and women for executive level positions. Although the recruitment firm was successful at identifying qualified white male candidates for executive positions, the pool of qualified minority and women candidates was limited.
- Agency leadership recognizes the important role targeted recruitment efforts play in identifying qualified minority and female candidates. As a result it encourages all FHFA managers to diversify their teams through outreach and recruitment activities, as well as internal leadership development initiatives. FHFA's diversity expectations will be included in the Agency's 2012 objectives and in each manager's performance plan.

Challenges Faced in Contracting with Qualified MWOBs

FHFA faced the following challenges in its efforts to increase the participation of MWOBs.

- Several of our contracts contain unique requirements that are available from only one source or a supplier that has unique capabilities, such as data analysis, modeling, and lease renewals. Also, given FHFA's small size in comparison to larger agencies, it has fewer dollars and opportunities to make awards to MWOBs.
- The Competition in Contracting Act requires all contracts awarded on the open market greater than \$25,000 to be publicly advertised on the government-wide point of entry, also known as the Federal Business Opportunities Web Page. This means that open market competitions cannot be set aside to minority-owned firms, and minority-owned firms must compete with all businesses, which could potentially decrease the number of awards to minority-owned firms.
- The Small Business Act requires any open market contract to be set aside for small business when two or more small business sources are known. Set asides for minority-owned businesses on the open market are not permitted. However, the Small Business Administration has established a set-aside program for Women-Owned Small Businesses, but this program is limited to only certain industries that are traditionally underserved by women. Also, the Small Business Administration has established the Section 8(a) Program that permits direct award to small disadvantaged businesses in the marketplace for certain contracts, but the categorization of firms is not the same as those defined under the Dodd-Frank Act.

Other Information, Findings, Conclusions, and Recommendations

- In 2011, OMWI was active in working with the other agencies identified in Section 342 of the Dodd-Frank Act to develop appropriate "standards for assessing diversity policies and practices of entities regulated by the agencies". An interagency workgroup was formed in early 2011, and met at least monthly to discuss approaches to implementing the requirements of Section 342. During the fourth quarter of 2011 and the first quarter of 2012, representatives from these agencies met among themselves and with representatives of financial industry trade organizations to consider how to develop standards for assessing the diversity policies and practices of the regulated entities. The representatives discussed options for evaluating diversity with respect to a regulated entity's size, complexity, and market area. Meetings with the various representatives are continuing in an effort to define the standards and assessment processes.
- FHFA adopted a final rule (75 FR 81395, December 28, 2010) implementing Section 1116 of HERA. Section 1116 of HERA requires FHFA, Fannie Mae,

Freddie Mac, and the FHLBank System to promote diversity and the inclusion of women and minorities in all activities. HERA's Section 1116 also requires the regulated entities to establish an OMWI. The final rule implemented the provisions of Section 1116 of HERA that applied to Fannie Mae, Freddie Mac, and the FHLBank System. The final rule became effective in January 2011.

- During the reporting period, OMWI staff worked closely with each of the regulated entities to clarify expectations for reporting under the regulation implementing the requirements of Section 1116 of HERA.
- OMWI staff held meetings with representatives of each of the regulated entities during 2011 and 2012 to provide feedback and guidance for meeting the requirements of Section 1116 of HERA.