



August 25th, 2014

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400 Seventh Street SW., 8th Floor
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SENT VIA EMAIL

**Re: Federal Housing Financial Agency Proposed Minority and Women Inclusion Amendments
RIN: 2590-AA67**

The Greenlining Institute (Greenlining) thanks the Federal Housing Finance Agency (FHFA, or the Agency) for the opportunity to comment on issues that directly impact communities of color, who are underrepresented in the financial sector and were disproportionately affected by the foreclosure crisis.¹ We offer our perspective on the FHFA's efforts to increase the presence of people of color and impact on the boards of directors of the Federal Home Loan Banks (FHLB) and the Office of Finance (OF).

Who We Are

Greenlining works to bring the American Dream within reach of all, regardless of one's race or zip code. The Greenlining coalition is comprised of over 40 organizations, including more than a dozen community-based organizations, ethnic chambers of commerce and consumer advocates. We pursue a multi-issue platform of racial and economic justice to promote America's future prosperity.

Today, the majority of children born in the United States are non-white and the nation is poised to become "majority-minority" by 2043.² It is therefore essential that our financial system reflects this diverse consumer base and is adequately prepared to serve their unique needs. At Greenlining, we understand that America will prosper only if communities of color prosper.

Since 2003, Greenlining has been publishing reports that shine a light on the workforce and board diversity of banks and financial regulators.³ These reports confirm what we already know: the demographics of the financial sector's "lower rungs" have scarcely changed over time, and diversity actually decreases further up the organizational ladder. Without rules to encourage transparency and proactive investment in addressing these disparities, we anticipate that people of color will continue to be poorly represented in this sector.⁴

¹ Debbie Gruenstein Bocian, Wei Li and Keith Ernst, "Foreclosures by Race and Ethnicity: The Demographics of a Crisis, Center for Responsible Lending," June 18th, 2010.

² <https://www.census.gov/newsroom/releases/archives/population/cb12-243.html>

³ The Greenlining Institute's Landing Page for Board Diversity Reports. 2003-2014. Accessed August 19, 2014.

<http://greenlining.org/publications/reports/page/2/?s=board+diversity&and&submit=Go>

⁴ Greenlining Open Letter to President Obama, June 9, 2014. <http://greenlining.org/wp-content/uploads/2014/07/Promoting-Diversity-and-Reform-on-the-Fed.pdf>

Recommendations for Enhancing the FHFA’s Proposed Amendments

Greenlining applauds the FHFA for proposing amendments to “establish a baseline to analyze future trends and assess effectiveness of strategies developed” with respect to diversity. The following are Greenlining’s recommendations to enhance the Agency’s proposal to support and strengthen the amendments:

I. Enforce Uniform Reporting Metrics

The proposed regulation outlines two methods of reporting: 1) “reporting the demographic information using the same classifications as those on the Form EEO-1,” and 2) “[including] a description of outreach activities and strategies related to promoting demographic diversity in nominating or soliciting nominees for positions on boards of directors.”

Greenlining supports this proposal for more robust reporting. Requiring this information will better capture each entity’s diversity efforts than the systems currently in place. In addition, we propose streamlining this information across all reporting entities.

We strongly urge the FHFA to standardize reporting metrics for its regulated entities. This will provide clear and consistent year over year reporting, improve evaluation capacity, and increase the overall effectiveness of the Agency’s efforts under the amendments. Uniform reporting will help the FHFA measurably meet its stated goal of developing a baseline for analyzing diversity and inclusion trends within its regulated entities.

The FHFA can do this by mandating the use of Form EEO-1 (the Form) to collect aggregate data and creating standard guidance for qualitative inquiries on recruitment activities. We suggest the following questions for inclusion on the Form:

1. Provide the number of board recruitment events the OMWI⁵ attended this quarter. In addition, list event name and demographic focus (e.g. race/ethnicity, gender, disability).
2. Provide the number of board positions open this year. If positions were open, provide the number of applications received and applicants that were officially interviewed. Please provide aggregate demographic information of interviewees using Form EEO-1.
3. Do you offer professional development training (existing and pipeline programs) for current and future board members? If so, please describe the trainings. Please also provide separate, aggregate demographic information for participants and trainers using Form EEO-1.
4. Provide demographic information for officer/leadership positions within the current board of directors.

II. Make OMWI Reports Publicly Available

Greenlining applauds the FHFA elevating diversity to one of the Agency’s four core values. The FHFA’s internal OMWI has set the bar high and positioned itself as a model for other agencies. Overall, we have been impressed by the progress and intentionality of internal outputs and external oversight of the FHLB’s and the OF. However, the FHFA OMWI must begin making annual OMWI reports from the FHLBs and OF available to the public. Until then, public confidence in the OMWIs progress will be limited, because its work takes place in a black box.

Currently, the FHLBs and OF submit annual OMWI reports to internal FHFA staff, but no substantive information is reported out to the public. The FHFA OMWI does not even include aggregate numbers in its annual report to Congress. Therefore, we urge the FHFA to make annual OMWI reports from its regulated entities available to the public. This is already a standard practice for all other OMWIs created

⁵ Or equivalent hiring staff.

through Section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank). For the last three years, the agencies (in addition to the FHFA OMWI) that exercise this practice include: NCUA, FDIC, SEC, OCC, Treasury, CFPB, Federal Reserve Board of Governors, and the 12 Federal Reserve Regional Banks.⁶ Clearly, if large quasi-government agencies are reporting such information, the FHLB's and OF should as well.

III. Collect More Data on Board of Directors

Collecting demographic information on the boards of directors is a great first step toward better understanding the make-up of FHLB and OF leadership. We encourage the FHFA to gather additional aggregate information on the various boards of directors. We recommend collecting the following information:

1. **Diversity by Professional Background:** Professional background is a key factor when vetting prospective board members. Furthermore, a board member's professional expertise is an important driver that influences company-wide decisions. It is imperative to better understand which communities and which industries are being represented at the board table.

Greenlining's [2013 Bank Board Diversity Report](#) tracked diversity in six professional categories: government, financial services, other private sector, non-US based, not for profit, and academia. Findings showed that nearly 80% of board members in the study represented financial services and the private sector. Replicating the best practice of collecting board industry history could give stakeholders greater insight on leadership's perspectives and show where companies source diverse board members.

2. **Board Turnover:** Governing board members are powerful leaders with tremendous influence over their organizations. It is important to track how long board members have served and whether racial disparities exist in board turnover rates. The FHFA should include additional questions regarding a member's total number of years on the board. Alternatively, the Agency can ask for average number of years served on the board. This data can help the FHFA assess potential correlation between board diversity, company decision making, and the frequency of opportunities for new members to join.
3. **Age of Board Members:** In addition to ethnic and gender diversity, the FHFA should request information on age. As with ethnic diversity, boards of directors often attract older members. Inquiring about the age of member leadership will better show the gaps in representation with respect to age. Creating questions requesting the age of each board member and the age they started serving on the board will better inform the FHFA about the composition of regulated entity's boards of directors.

Greenlining appreciates the FHFA OMWI's continued positive direction towards strengthening diversity and inclusion efforts and outcomes at its agency, the FHLB and the OF. While we support the Agency's stated mission to "establish a baseline to analyze future trends and assess effectiveness of strategies developed" with respect to diversity; these efforts cannot be successful without uniform reporting metrics, and publicly available data. Furthermore the FHFA OMWI must expand the information it requests from FHLBs and the OF to better capture trends that lead to less diversity in on company boards of directors.

We appreciate the opportunity to voice our recommendations, and look forward to working with Director Watt, the FHFA OMWI, and its incoming Director to ensure its next steps are measurable and meaningful to maximum impact.

⁶ Werblin, Sasha. "Congress, banking and the politics of diversity". *The Hill*. June 17, 2014. Accessed August 19, 2014. <http://thehill.com/blogs/congress-blog/economy-budget/209208-congress-banking-and-the-politics-of-diversity>