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THE LEGACY OF GEORGE FLOYD: AN EXAMINATION OF FINANCIAL SERVICES INDUSTRY COMMITMENTS TO ECONOMIC AND RACIAL JUSTICE

HYBRID HEARING

BEFORE THE

SUBCOMMITTEE ON DIVERSITY AND INCLUSION

OF THE

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

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THE LEGACY OF GEORGE FLOYD: AN EXAMINATION OF FINANCIAL SERVICES INDUSTRY COMMITMENTS TO ECONOMIC AND RACIAL JUSTICE

Tuesday, June 29, 2021

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON DIVERSITY AND INCLUSION,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 3:08 p.m., in room 2128, Rayburn House Office Building, Hon. Joyce Beatty [chairwoman of the subcommittee] presiding.

Members present: Representatives Beatty, Tlaib, Dean, Garcia of Texas, Williams of Georgia, Auchincloss; Wagner, Gonzalez of Ohio, Gooden, and Timmons.

Ex officio present: Representative Waters.

Chairwoman. BEATTY. The Subcommittee on Diversity and Inclusion will come to order.

Without objection, the Chair is authorized to declare a recess of the subcommittee at any time. Also, without objection, members of the full Financial Services Committee who are not members of this subcommittee are authorized to participate in today's hearing.

With the hybrid format of this hearing, we have some Members and witnesses participating in person and others on the Webex platform.

I would like to remind all Members participating remotely to keep themselves muted when they are not being recognized by the Chair. The staff has been instructed not to mute Members, except when a Member is not being recognized by the Chair, and there is inadvertent background noise.

Members are also reminded that they may participate in only one remote proceeding at a time. If you are participating remotely today, please keep your camera on. And if you choose to attend a different remote proceeding, please turn your camera off.

Today's hearing is entitled, "The Legacy of George Floyd: An Examination of Financial Services Industry Commitments to Economic and Racial Justice."

I now recognize myself for 4 minutes to give an opening statement.

Good afternoon. Following the death of George Floyd, Americans of all races, young and old, from the mailroom to the C-suites, were united and took to the streets to demand justice, and an end to the

systemic racism that permeates many of our institutions and corporations.

The voices of the many resonated in boardrooms and C-suites as corporate leaders used the moment to empathize with the frustrations of protesters, their employees, and even stakeholders.

George Floyd's murder was an indisputable example of systemic racism that shocked the consciousness of the American public, thus, today's hearing entitled, "The Legacy of George Floyd: An Examination of Financial Services Industry Commitments to Economic and Racial Justice."

The CEO of JPMorgan Chase, Jamie Dimon, said in the weeks following George Floyd's death, "We are watching, and listening, and we want every single one of you to know we are committed to fighting against racism and discrimination wherever and however it exists."

The CEO of Bank of America, Brian Moynihan, said in his testimony to the Senate Banking Committee in May of 2021 that his company hosted thousands of courageous conversations with their employees and social justice leaders to foster understanding and a common approach to addressing injustice.

Leading banks and other financial institutions pledged to serve as allies and apply their power, their influence, and their resources to support the fight for social justice and to invest in economic opportunities for Black communities that have been redlined and shut out.

This hearing comes 13 months after the death of George Floyd, and recent analysis by Creative Investment Research shows that U.S. corporations pledged $50 billion, including $33 billion from financial services companies.

While pledges and platitudes that affirm values are important, we stand at a crossroads that demands tangible and transparent action.

Today, I stand and urge my colleagues to join me in calling upon corporations to live up to their commitments, to be intentional, and to implement sustainable practices that will permanently address the economic inequities that divide our nation.

Transparency and accountability—you are going to hear that a lot today—must be at the heart of your commitments, and I call upon financial companies to fully embrace the spirit of my legislation, H.R. 2123, the Diversity and Inclusion Data Accountability and Transparency Act, and to disclose their workforce diversity and inclusion performance data to their Office of Minority and Women Inclusion (OMWI) directors annually.

I call upon business leaders to join in the fight for social justice that impacts your workforce, to champion diversity and inclusion practices, and to develop and leverage financial products and eliminate racial and gender wealth gaps.

The financial services industry is a cornerstone of the American economy and workforce. So, we want to hear today that you are going to be a part of the trajectory of future investment in the Black and rural communities.

Let us bend the arc of justice by examining and committing to a fully-inclusive economic future. I look forward to hearing more from all of you.

The Chair now recognizes the ranking member of the subcommittee, Ranking Member Ann Wagner, my colleague, and someone who has been with us from the very beginning of the Diversity and Inclusion Subcommittee.

I now recognize you for 5 minutes for an opening statement.

Mrs. WAGNER. Thank you, Madam Chairwoman, and thank you to our witnesses for joining us today.

Today, we will be discussing how America's banks are taking positive steps toward a more inclusive banking system, the areas where banks can do more to support underserved communities and unbanked individuals, and how innovation and Fintechs such as Mr. Miah's firm, Paybby, can be a part of the solution.

The members on this committee believe that all Americans should have access to financial institutions, financial firms, and the financial system to support and build economic prosperity. They should have the opportunity to save and invest for their family, for college, and for retirement.

The subcommittee has examined and will continue to examine the strides that the financial services industry has made toward promoting diversity and inclusion and expanding banking services to historically underserved communities.

America's banks and other organizations in the financial services industry promised to devote resources to advancing racial equity. Banks pledged billions of dollars to programs designed to close the wealth gap, drive homeownership, and bolster Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs).

Banks have also been partnering with community organizations focused on racial inequities, such as the Neighborhood Assistance Corporation of America (NACA) and the National Community Reinvestment Coalition (NCRC).

I want to list just a few of the noteworthy commitments from the financial services industry to increase banking services and better assist America's underserved communities.

Bank of America committed $1.25 billion over 5 years to advance racial equality and economic opportunity. As part of that effort, the bank announced in May 2021 that it would expand its national affordable homeownership program. The bank has made more than $350 million in investments, including equity investments in 40 minority-focused funds and 14 MDIs and CDFIs.

In 2021, Goldman Sachs announced the One Million Black Women initiative, a $10-billion investment initiative focused on investing in Black women to, "drive investment in housing, health care, access to capital, education, job creation and workforce advancement, digital connectivity, and financial health."

In 2020, JPMorgan Chase announced a $30-billion-over-5-years commitment to racial equity. The commitment includes initiatives for affordable housing, small business expansion, and neighborhood development.

In addition to these private-sector commitments, Congress has provided $12 billion to CDFIs and MDIs in the December Consolidated Appropriations Act for Fiscal Year 2021.

I look forward to continuing to work with America's banks on these initiatives, and I am encouraged by the progress we have seen these past few years.

I thank the chairwoman, and I yield back.

Chairwoman BEATTY. Thank you so much.

I would now like to welcome all of our witnesses who are here today in person or remotely: Mr. Fabrice Coles, vice president of government affairs at the Bank Policy Institute; Mr. Donald Cravins, the executive vice president and chief operating officer at the National Urban League; Mr. Darrick Hamilton, a professor of economics and urban policy with The New School, formerly from my great State of Ohio, at The Ohio State University; Ms. Jonay Holkins, senior director of policy at the Business Roundtable; and Mr. Hassan Miah, the chief executive officer at Paybby. Welcome.

Witnesses are reminded that your oral testimony will be limited to 5 minutes. You should be able to see a timer on your screen or on the desk in front of you that will indicate how much time you have left. When you have one minute remaining, a yellow light will appear.

I would ask that you be mindful of the timer, and when the red light appears, to quickly wrap up your testimony so that we can be respectful of both the other witnesses' and the subcommittee members' time. And without objection, your written statements will be made a part of the record.

Mr. Coles, you are now recognized for 5 minutes to present your oral testimony.

Mr. Coles is testifying remotely, and appears on the screen.

STATEMENT OF FABRICE COLES, VICE PRESIDENT, BANK POLICY INSTITUTE

Mr. COLES. Thank you, Madam Chairwoman.

Chairwoman Beatty, Ranking Member Wagner, and members of the subcommittee, thanks for having me today. I am honored to appear before you.

My name is Fabrice Coles. I am a vice president at the Bank Policy Institute (BPI), a nonpartisan public policy research and advocacy group.

I appreciate the invitation to discuss the banking industry's efforts to help reduce racial inequality. Banks must be a part of the solution if there is to be real improvement in outcomes for all communities, especially communities of color, many of whom have been left behind economically.

Today, however, our focus is on banks' efforts to reduce inequality in Black communities, and how they are leveraging business models, networks, and resources to better serve them.

I work directly with a group of executives responsible for this agenda at the banks and can share that this has been a time of purposeful action. Banks have decided strategies, agreed upon budgets, allocated resources, and built teams to execute on this agenda.

Investments have been made. Partnerships have been cemented. Product innovation is ongoing. Philanthropy is continuing. More than $50 billion has been committed. More than a billion dollars

of support and investment has already gone out the door. Progress has been made.

But given the nature and residue of centuries of financial exclusion, much remains to be done. Racial equity gaps in income, health, education, housing, and wealth have proven intractable.

But the events of 2020, the disproportionate impact of the pandemic on Black communities, and the global response to the murder of George Floyd, have spurred fresh thinking and action.

Banks' actions to combat racial equity gaps include investments, partnerships, product innovation, and philanthropy. BPI member banks know that in order to address centuries of financial exclusion, they have to invest in people and organizations that are driving positive economic outcomes.

They are making investments in Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs), supporting the next generation of Black entrepreneurs, and bolstering neighborhood revitalization efforts alongside Black-owned investment firms.

They are investing debt and equity capital, but also sweat equity, working with partners to ensure that these investments bring shared prosperity.

Lastly, banks are investing in the future of their own organizations, redoubling their efforts to recruit, retain, empower, and promote Black talent and working harder to ensure that the senior levels of their firms reflect America's diversity.

Banks know that change involves investing time and resources with others. That is why banks are scaling impact by partnering with diverse organizations to hasten the delivery of support to Black communities.

They partner with Federal regulators and State and local governments to promote new thinking about how to broaden access to banking services, credit, and jobs. They have worked with national organizations, providing affordable housing counseling and home purchase support.

They have joined nonprofits to support policy research, provide technical assistance, and supply needed resources to minority-owned institutions. They partner with Historically Black Colleges and Universities (HBCUs) to invest in the future of financial services talent, and they have entered into joint ventures to execute billion-dollar deals with Black-owned broker-dealers and MDIs.

These partnerships are complemented by a growing product portfolio. Banks have expanded their offerings of services and are increasing access to credit products for underserved or unbanked borrowers.

The pandemic made clear the need for access to transaction accounts, especially as economic activity migrated online, and banks are offering more no-fee, low-minimum-balance accounts to attract customers into the system.

Then, banks are deepening those new relationships by offering bridge, small-dollar, small business, and special purpose credit loan options.

Lastly, they are providing various forms of home-buying support and exploring how artificial intelligence (AI) can be used to reduce

the cost of credit for borrowers who have been underserved in the past, such as those with low or no credit scores.

Bank strategies are executed thanks to the combined efforts of business and product units and affiliated philanthropic organizations to boost results in speed.

Banks have committed billions of dollars in grants with fewer strings and with accelerated decision times for allocating philanthropic capital. This is all taking place across an expanded list of grantees and partners in areas such as small business, education, public health, social justice, and civil rights.

In conclusion, when the world watched as George Floyd was murdered, we all stopped to consider what could be done to improve equity in our society.

Banks were a part of that introspection, and in the year since that horrible tragedy, have rededicated their efforts to be drivers of brighter days ahead for all American communities.

Accompanying my written testimony is a best-practices document initially created for the banks in the midst of last summer's extraordinary public conversation about racial justice, which has been released today for the first time. It gives a view into the seriousness of the tactical considerations underway at banks to support broad-based economic opportunity.

An honest assessment of the foundation that has been laid leaves me with a parting thought. Much has been done. Sadly, much more is left to do. But I can say that I am hopeful.

Thank you, Madam Chairwoman, for having me here today. I look forward to answering your questions.

[The prepared statement of Mr. Coles can be found on page 34 of the appendix.]

Chairwoman BEATTY. Thank you very much.

Mr. Cravins, you are now recognized for 5 minutes to give an oral presentation of your testimony.

STATEMENT OF DONALD CRAVINS, JR., EXECUTIVE VICE PRESIDENT AND CHIEF OPERATING OFFICER, NATIONAL URBAN LEAGUE

Mr. CRAVINS. Good afternoon, Chairwoman Beatty, Ranking Member Wagner, and members of the subcommittee.

My name is Don Cravins, Jr., and I serve as the executive vice president and chief operating officer of the National Urban League. On behalf of the entire Urban League movement, which consists of 91 affiliates in 36 States and the District of Columbia, I thank you for convening this hearing.

Chairwoman Beatty, I would be remiss if I did not offer my condolences to you and your family for your recent loss. I want you to know you have been in the prayers and the thoughts of the Urban League the entire time.

Chairwoman BEATTY. Thank you.

Mr. CRAVINS. The National Urban League is an historic civil rights organization dedicated to economic empowerment, equity, and social justice.

Founded in 1910 as a result of the great migration of African Americans to the north, the Urban League collaborates at the na-

tional and the local levels with community leaders, policymakers, and corporate partners to elevate the standard of living for African Americans as well as other historically-underserved groups.

We do that by focusing, really, on four primary areas: education; health; jobs; and housing. Pertinent to this subcommittee and the work that you do, the National Urban League has specific programs designed to foster financial literacy, homeownership, small-business financing, and home foreclosure prevention.

These programs and services touch nearly 2 million Americans each year. It is correct that after the killing of George Floyd and other incidents of racism, many financial institutions turned to the National Urban League and others and our network of affiliates to address issues related to systemic discrimination and inequities.

For some of these financial institutions, this was a continuation of the support for the work we have been doing, and was based upon previous long-standing relationships. For others, this was the beginning of new partnerships.

And although we are thankful, Madam Chairwoman, for the commitments, and are hopeful that a real impact will be made and felt in the communities we serve, what we are most hopeful about is that these commitments will symbolize the ending of corporate philanthropic redlining.

The fact remains that there is still real work to be done, and the resources that have been pledged alone cannot remedy centuries of inequities and disparities.

Research shows that despite significant economic progress over the past decades, African Americans experience far worse economic conditions than White Americans or the American population as a whole. African Americans experience recession-like conditions even when the economy is thriving for other Americans. The unemployment rate for African Americans has been and continues to be approximately twice the rate of White Americans.

The typical African-American household earns just 59 cents for every dollar a White household earns. The median wealth of African-American families is $17,000, and for White families, it is $171,000. Only 42 percent of African Americans own their homes, compared to 73 percent of White families.

African Americans struggle to obtain mortgages, consumer loans, and even credit cards. More than one in four African Americans do not have a credit score, and 17 percent do not have traditional bank accounts. Ranking Member Wagner mentioned some of these issues.

So, how did America get here? We got here because African Americans were excluded from the agricultural revolution due to enslavement, and excluded from the prosperity of the last century due to disenfranchisement and Jim Crow legal discrimination.

When you add those discriminatory practices to the mass incarceration of African Americans that followed, it is very clear how America has gotten here and why we have this persistent wealth gap.

So, what does a real commitment to equity look like? Equity cannot be fully achieved by financial institutions simply donating money to external partners and relying on us to change the world, the minds and the hearts of America.

Financial institutions must also look inward and ensure that their own systems create inclusive places, and places with which to do business. This is not only the morally-right thing to do, but it is also good for business.

I am proud to say that some institutions have retained the National Urban League for internal unconscious bias training or to provide supplier diversity training.

Our message to our corporate clients is simple: If you want real change, if you desire a real commitment to equity, then you must be transparent and be willing to set an example. Otherwise, you are only partially committed to equity. You are window dressing.

When it comes to economics in the work of financial institutions, there is much work to be done, Madam Chairwoman. The organizations best-suited to assist financial institutions with addressing these issues have traditionally been underfunded. But the commitments are a start.

However, none of our organizations can make these changes alone. It will require government and our financial institutions and our nonprofit organizations working together.

So, again, thank you for allowing me to be here today, Madam Chairwoman and subcommittee members, and allowing me to testify on this very important subject.

[The prepared statement of Mr. Cravins can be found on page 88 of the appendix.]

Chairwoman BEATTY. Thank you for your testimony, Mr. Cravins.

Mr. Hamilton, you are now recognized for 5 minutes to give an oral presentation of your testimony.

Mr. Hamilton is testifying remotely, so he is on the screen.

STATEMENT OF DARRICK HAMILTON, PROFESSOR OF ECONOMICS AND URBAN POLICY, THE NEW SCHOOL

Mr. HAMILTON. Thank you, Chairwoman Betty, Ranking Member Wagner, and other esteemed members of the subcommittee, and I too want to offer my heartfelt condolences, as well as gratitude for everything that you do, Madam Chairwoman.

I am Darrick Hamilton, the Henry Cohen Professor of Economics and Urban Policy, a university professor at The New School, and the director of the Institute on Race and Political Economy.

The fact that George Floyd could be killed in broad daylight by law enforcement for over an 8-minute period with a knee in his neck while screaming for mercy that he couldn't breathe has to be the result of a devaluation of his life because he is Black.

After repeated examples of similar killings, this is vivid, and should, at least by now, be undisputed. The immoral devaluation of Black lives has been ingrained in America's political economy and it is long overdue for a reckoning.

So, as a nation, are we finally ready to reverse our enduring and immoral blight of racism and redefine economic good to embrace the principles of morality, humanity, and sustainability, and to provide a patriotic pathway to promote our shared prosperity and achieve racial and economic justice?

The government has a fiduciary responsibility to facilitate inclusion, civic engagement, and social equity for all its people. All poli-

cies and government actions are rooted in norms, especially those related to production, transaction, and distribution. Government should promote diversity and inclusion and belonging in all aspects of civic and political economy simply because it is just and the right thing to do.

To achieve this, we need a deeper understanding of how devaluing individuals based on identities like race, gender, and sexual orientation, how they relate to political notions of who is deserving and who is undeserving.

This is essential to expand our knowledge beyond conceptions of individual transactions into workings of larger political economy structures that affect us all.

Our current economic system is founded upon the values of self-interested accumulation without bounds, but our economy should be grounded in different values, values of economic inclusion, civic engagement, social equity, human dignity, sustainability, and shared prosperity.

Our enormous and persistent racial wealth gap is an implicit measure of our racist past, a past rooted in a history in which White Americans have been privileged by government, political, and economic interventions that afforded them access to resources and iterative intergenerational accumulation associated with those resources.

This is in contrast to a history for Blacks and indigenous Americans where their personhood and whatever capital they may have established has always been vulnerable to exploitation and extrapolation by state-complicit confiscation, destruction, fraud, terror, theft, and other acts of violence.

Still, much of the framing around the racial wealth gap focuses on poor financial choices and decisions on the part of, largely, Black, Latinx, and poor borrowers. That framing is wrong. The directional emphasis is wrong.

It is more likely that meager economic circumstance, not poor decision-making or deficient knowledge, constrains choice itself and leaves poor borrowers with little to no financial options but to obtain and use predatory and abusive financial services.

Households with few assets and low incomes are compelled to turn to high-cost, unconventional, and alternative financial products. They generally are aware that these products are predatory but they have no alternatives.

These last-resort debt traps render recipients indentured borrowers, having to pay higher and higher interest rates and fees until, ultimately, they default on the original principal.

Racial inequality and despair are not inevitable. Rather, they are the result of political choices. Likewise, we can make different political choices.

Congress needs to provide public options, options that directly compete with and crowd out inferior private options, private options that do not ensure universal and quality access to health care, housing, schooling, financial services, capital, and the free mobility throughout society without the psychological and physical threat of detention or bodily harm at the hands of a state-sanctioned terror because someone's identity is linked to a vulnerable or stigmatized group.

Inequality is not rooted in deficient people but, rather, deficient resources and power allocations. Let us change this paradigm. Let us be bold.

Let us advocate for programs and initiatives that truly empower people with economic security, dignity, and authentic agency to define and achieve their goals.

Thank you for your time.

[The prepared statement of Mr. Hamilton can be found on page 96 of the appendix.]

Chairwoman BEATTY. Thank you, Mr. Hamilton.

Ms. Holkins, you are now recognized for 5 minutes to give an oral presentation of your testimony.

STATEMENT OF JONAY FOSTER HOLKINS, SENIOR DIRECTOR, POLICY, BUSINESS ROUNDTABLE

Ms. HOLKINS. Good afternoon.

Chairwoman Waters, Chairwoman Beatty, Ranking Member Wagner, and members of the House Financial Services Committee's Subcommittee on Diversity and Inclusion, thank you for the opportunity to testify today and for holding this hearing.

Business Roundtable is an association of over 230 CEOs of America's leading companies, working to promote a thriving U.S. economy and to expand opportunity for all Americans.

In my role, I am responsible for overseeing the racial equity and justice agenda. Just a few months ago, during one of the greatest tests of our democracy, I was serving as Judiciary Counsel for Congressman David Cicilline.

Prior to that, I was a senior litigation associate at a D.C. law firm representing community health centers and other Federal grantees and safety net providers across the country.

I joined Business Roundtable in April because I believe that the CEOs' commitments to ensure that the business community is doing their part to solve the racial wealth gap are necessary and important.

2020 was a year of reckoning for America. In response to the murder of George Floyd, Business Roundtable CEOs released a set of policing reform principles and have continued to press publicly for bipartisan policing reform legislation.

Our members then turned to an issue central to equity in our economy: the racial wealth gap. That gap is a product of hundreds of years of policies and practices that have denied economic opportunity to Black Americans, despite our many contributions.

With humility, Business Roundtable engaged in hundreds of conversations with social justice experts, including fellow panelist Darrick Hamilton, as well as Marc Morial and Cy Richardson at the National Urban League. That process was focused on gathering information with the goal of driving support towards areas where the research and the data showed it mattered most.

On October 15, 2020, this process culminated in the special committee's release of a set of corporate actions and public policy recommendations focused on six key areas: employment; finance; education; housing; health; and justice.

As a CEO organization that represents almost all sectors of the economy, Business Roundtable is uniquely positioned to bring

about real change for communities of color and really work toward advancing racial equity, and our member companies are doing just that.

For example, over the past year, PayPal has invested $510 million toward equity and inclusion and social justice causes. This includes $15 million in PayPal empowerment grants that were distributed directly to approximately 1,400 Black-owned businesses, many of which were also operated by Black women. Prudential made a $10-million contribution to remove barriers to financial wellness in underserved markets.

Cummins deployed $3 million to CDFIs, the NAACP, and SCORE to support Black-owned enterprises in Indiana, Minnesota, and Tennessee. Duke Energy deposited $5 million into Optus Bank, a Black-owned bank in South Carolina. Bank of America made more than $350 million in various investments across its primary focus areas of health, jobs, affordable housing, and small businesses.

Our member companies are also committed to increasing diversity and inclusion in the workplaces from the top down. Business Roundtable announced a multi-year effort to reform their hiring and talent management practices, and address inequities in employment practices.

We know that there is a long way to go on this. These are just a few of the many examples of our member companies that have made good on their promises.

One year of work cannot undo the centuries of harm done to Black Americans and other people of color. There is so much more that needs to be done to address the racial wealth gap and other inequities faced by communities of color.

We are committed, I am committed to making real progress, and we welcome the partnership of this committee to advance our shared goal of securing equity and opportunities for all Americans.

Thank you for the opportunity to serve as a witness before the subcommittee. I look forward to your questions.

[The prepared statement of Ms. Holkins can be found on page 101 of the appendix.]

Chairwoman BEATTY. Thank you very much, Ms. Holkins.

And now, Mr. Miah, you are recognized for 5 minutes to give an oral presentation of your testimony.

STATEMENT OF HASSAN MIAH, FOUNDER AND CHIEF EXECUTIVE OFFICER, PAYBBY

Mr. MIAH. Thank you for the invitation. My name is Hassan Miah, and I am the CEO and founder of Paybby Corp. We are a financial technology company. We are a Fintech focused on the empowerment of the Black and Brown communities.

I started the company, and it was founded in August of 2020 in wake of the death of George Floyd, which deeply affected me.

At Paybby, we are the only Black-owned company that offers an FDIC-insured mobile bank account where it is possible to get a free bank account in less than 5 minutes. Over the past few months, we have met with several of the largest banks, including the largest Black-owned banks in the country. Our observations include the following.

Major banks have announced large financial commitments to the Black community, and Black banks have announced investments from the big banks. This is to be applauded.

However, the scale of the announced commitments appears to be larger than the actual investments. The evidence is still a little sparse on whether the announced commitments have resulted in the incremental support needed for the Black community.

The biggest concern is the lack of what we call in the private-sector, key performance indicators (KPIs), that show accountability of announcement to results.

Also, the approach and types of commitments taken by the banking industry may not make a material difference unless expanded.

The financial services industry includes the private equity and venture capital industries, which account for a large share of the capital used to finance businesses and support financial inclusion and economic empowerment in the Black community.

According to recent reports, Black entrepreneurs only receive about 1 percent of all private equity and venture capital. This has not changed much. The VC industry has, however, made several investments in the last year supporting new Black founder funds, which is great.

However, the scale still appears to be minuscule relative to the industry, and not of any major material significance. Private equity and venture capital-backed Fintech is the fastest growing category of alternative banking and lending in this country.

Many of these non-minority banks or Fintechs target the Black community, but their business models are not designed to support racial equity and often result in more income and wealth extraction from the community.

For example, just one small example, tax advantage private equity firms are now making investments and buying residential houses to be made available to rent. This could potentially crowd out the supply of housing and reduce opportunity for the Black community to achieve homeownership, the biggest contributor to wealth creation.

Private equity receives its largest share of capital from government and private pension funds, of which the Black community is a capital supplier. Therefore, the lack of investment in Black businesses and Black entrepreneurs actually results in a transfer of wealth from the Black community to other communities.

The approach taken by banks and corporations to support Black banks and MDIs can only have a limited impact. Black MDIs' total aggregated assets are approximately $10 billion, compared to total U.S. banking assets of $20 trillion.

Given the limited size and smaller geographic focus, they are simply incapable of addressing the racial equity gaps. Fintechs, however, are creating the transformation of banking and financial services, and similar to the other industries, tech-driven companies are designed to scale and efficiently build new models to support the market.

Traditional companies and banks generally do not have the skills to make those kind of changes to a tech-driven economy and, therefore, also many of these small community banks are adding

Fintechs on top, but none of them are Black-owned banks. Therefore, they are not part of it.

For the banking industry, the keys to closing the racial wealth gap and supporting racial equity are greater direct investment, recirculation of capital, and reduction of excessive banking costs.

The spending power of the Black community is over $1.3 trillion, and approximately $4 trillion from the Black and Brown communities. Yet, only 2 percent of that capital is circulated.

Outside the U.S., where large, formerly-poor nations are gaining access to banking, new Know Your Customer (KYC) and alternative credit scoring systems are being developed that are as reliable as anything in the United States. Yet, this does not exist here, and the Black and Brown communities continue to stagnate. Actually, the racial wealth gap is still increasing.

Thank you for inviting me here, and I appreciate your time. Thank you.

[The prepared statement of Mr. Miah can be found on page 106 of the appendix.]

Chairwoman BEATTY. And thank you so much for your testimony.

I am pleased to announce that we have been joined by the Chair of the full Financial Services Committee. In addition to that, she is the leader and actually the founder of the Diversity and Inclusion Subcommittee under Financial Services.

It gives me great honor to yield the floor to Chairwoman Maxine Waters.

Chairwoman WATERS. Thank you very much, Chairwoman Beatty, for holding this hearing, and thank you for inviting the witnesses who have testified here today.

The information that they are sharing with us will be very helpful in pursuing the kind of justice and equity that your subcommittee is responsible for making happen and, of course, our overall Financial Services Committee is pursuing.

I will start with Mr. Cravins and Mr. Hamilton. After the deaths of George Floyd, Ahmaud Arbery, and Breonna Taylor last year, our country entered another period of racial reckoning, and a national focus on the systems of injustice that have deprived Black Americans of basic human rights and equal opportunities, including opportunities to build wealth, for hundreds of years, as the American public turned their eye to corporate America in the search for commitments to address racial injustice.

Several financial institutions made promises to lend or provide billions of dollars toward capital for Minority Depository Institutions and Community Development Financial Institutions, direct grants to Black businesses, and charitable donations to organizations serving communities of color.

Mr. Cravins and Mr. Hamilton, many of these institutions have been slow to follow through on their commitments. How can we increase the disclosure that is necessary to help hold public companies accountable to the promises that they made, and what are the other ways that Congress can ensure that these priorities are not simply empty platitudes, and that an institution's policies are not perpetuating racism and inequality through its operations, products, and services, and how can we prevent companies from easily

pulling back on their commitments based on changes within their organizations?

I have heard a lot today that, basically, deals with some of these questions that I am asking. Let me just say, I know the work of the Urban League. I have been in the government for many years, so of course, I have worked closely with the Urban League, and I understand what your priorities are, what your mandates are, and what you do.

But we have had a lot of discussion here today, particularly about major companies in this country, that after these deaths that I alluded to, made commitments. How do we hold them to their promises?

Mr. CRAVINS. Madam Chairwoman, I think today's hearing is a very good start or a very good continuation. You and Chairwoman Beatty and the ranking members—because this is not a race thing; this is an American issue—I think by bringing attention to this issue, by bringing the companies here, by talking to the CEOs.

And you raise a great point, Madam Chairwoman. It is not just the Fortune 100. These commitments were made by companies of all sizes, and we at the Urban League are very committed.

When companies have called us and said, hey, we want to be committed, how can we help, we have absolutely given them a road map. We have tried to help them design programs that would help them make changes in our communities. As I have said, we feel we have been underfunded and ignored for decades.

And so, we will continue to work with them, but we are asking for this committee, and the Members of Congress from both sides of the aisle, to hold people accountable, to continue talking about this issue, and to continue having these hearings.

Chairwoman Beatty, can we have this hearing a year from now? Can we have another hearing 2 years from now? Can we make sure, to your point, Chairwoman Waters, that this is just not a flash in the pan, that this is just not window dressing but this is, indeed, an end, as I said in my testimony, to philanthropic redlining?

Chairwoman WATERS. Thank you so very much. I am going to turn to Ms. Holkins. How is the Business Roundtable—well, let me go to something that I think is a little bit uncomfortable, but we need to talk about it.

Ms. Holkins and Mr. Coles, my staff analysis indicates that at Business Roundtable, just 3 out of 25 board members are Black, and there are zero Black people at the executive vice president level and above. The Bank Policy Institute has zero Black people either on its board or within executive vice president levels and above.

Ms. Holkins and Mr. Coles, how can you lead your members in racial equity initiatives when you do not have many diverse perspectives within your own organizations that help drive this work, and what efforts have been made to ensure that diversity and inclusion are part of your recruitment and retention strategies?

This is very difficult, being an African American in a situation where you have a responsibility to educate and lead others who are not, who have significant roles in decision-making. How do you do that?

Ms. HOLKINS. That is a great question. Yes, you are right, we only have three members of the board who are Black. But I think really, the Business Roundtable and our member companies do take diversity and inclusion seriously.

I know just in my short time at Business Roundtable, that I feel heard and seen and listened to, and I do feel like my perspective is valued. I don't know that we would be here today but for me fighting for this opportunity. I think it is important that we are held accountable and that there is true transparency.

Chairwoman WATERS. I am way past my time, so I want to thank Ms. Beatty so very much. But now she has something to take back, to tell them what we asked and let us get the response. Thank you very much.

Chairwoman BEATTY. Absolutely, and thank you, Madam Chairwoman.

I now recognize the distinguished ranking member of the subcommittee, Mrs. Wagner, for 5 minutes for questions.

Mrs. WAGNER. Thank you, Madam Chairwoman.

According to survey results from the FDIC's, "How America Banks," which was conducted in June of 2020, an estimated 5.4 percent of U.S. households are unbanked, meaning that no one in the household has a checking or savings account at a bank or a credit union. This percentage represents approximately 7.1 million households.

Mr. Miah, we know that minority communities are unbanked at a higher rate than their White counterparts. Data shows there are several correlating factors such as education status and geography, but a major factor is also household wealth. Unfortunately, being unbanked is also very expensive because prepaid cards and check-cashing services also come with high fees.

How are you, sir, expanding access to affordable financial services so that expensive services don't further inhibit the ability to build wealth?

Mr. MIAH. Thank you for the question.

Yes, these new Fintechs now have the ability to offer totally free banking accounts, such as ourselves, mobile banking accounts where you don't have to have the minimum deposit requirements of a regular bank.

In fact, we are working with two of the largest Black banks in America to replace their existing services with our banking services.

So now, that is possible. I think one thing that has to happen is there has to be more support for pushing that message out to the community so they realize that the market now provides solutions that didn't exist before. That is part of it.

The other big part, if I may, for a second, is in order to get a bank account you need to pass something called Know Your Customer (KYC).

We have found that the Black and Brown, and particularly, poor people, pass KYC at about one-third less the rate simply because they don't have any type of credit file. They don't have the history, and therefore, they don't qualify.

Yet, as I mentioned during my testimony, there are now alternative ways to qualify those people. And that is what we are fo-

cused on is bringing new technologies and data science to be able to bring people into the banking system on a free basis and get them out of these high-cost services.

Mrs. WAGNER. Thank you, Mr. Miah.

Mr. Coles, in your testimony you mentioned how banks are offering more services and expanding credit products for underserved borrowers. Can you go into a little further detail on these products and how they could benefit the 7.1 million unbanked U.S. households?

Mr. COLES. Thank you, Ranking Member Wagner, for the opportunity. Banks are expanding their offerings of low-fee and no-fee transaction accounts that are attractive to unbanked and underbanked consumers.

Some may know these accounts as BankOn accounts. They also don't have overdraft fees as well, and so they are definitely a powerful tool to help promote financial inclusion.

This BankOn designation, which would provide incentives for financial empowerment, helps bring those folks into the banking system, and then at that point, banks are going to be able to deepen their relationship with them, offering them more products.

And this is something that a lot of banks are offering today. I think it is close to 100 right now with a significant footprint across the country.

Certainly, there is a long way to go here. But these investments are being made, Congresswoman, and we expect to see even more penetration in this regard. Because, frankly, during the pandemic, we have seen the need.

We have seen the need, and this is something that banks are really focused on, and you are going to see a lot more of these BankOn accounts being rolled out in the near term.

But you have a lot of ones in the pipeline and a lot being offered today in the marketplace. So, we think that is an attractive option, Congresswoman.

Mrs. WAGNER. Thank you. I appreciate it very much.

One of the key reasons many of these households are unbanked is not having enough money that is required to open a bank account. However, the FDIC has cited other reasons, including not trusting banks.

Mr. Coles, how can banks create community partnerships that build trust with unbanked households and foster those relationships?

Mr. COLES. This is an important question, Ranking Member Wagner, so thank you for bringing this up. Communicating with the customer is key, as in any other business relationship.

More communication is required to ensure that borrowers are feeling comfortable with the financial institutions with which they are engaging.

So, more marketing investments, more partnerships, as you indicated, with community groups that can help get the word out about the safety and the low-cost attractiveness of these options, we think is going to really help make a penetration here.

But again, this is another aspect that needs more investment and attention and it is receiving that, and I expect more here, Congresswoman.

Mrs. WAGNER. Thank you. I appreciate it. I have more questions, but I do not have more time. So, Madam Chairwoman, I yield back at this point. Thank you.

Chairwoman BEATTY. Thank you, Ranking Member Wagner, for your questions.

I now recognize myself for 5 minutes for questions. I am going to ask some yes-or-no questions, so I can hopefully get through a lot of questions.

First, Ms. Holkins, 181 CEOs signed on to the Business Roundtable's, "Purpose of a Corporation," that pledges to foster diversity and inclusion, dignity, and respect. Doesn't transparency and accountability around D&I build confidence that the CEOs and their companies are living up to that pledge, yes or no?

Ms. HOLKINS. Yes.

Chairwoman BEATTY. A follow-up, Mr. Coles, does the Bank Policy Institute believe that transparency and accountability, and diversity and inclusion performance should be mandatory?

Mr. COLES. No.

Chairwoman BEATTY. Many of your members have endorsed mandatory disclosure of diversity data. But can you give us some insight on why BPI opposes it?

Mr. COLES. I wouldn't say that we oppose it, Congresswoman. BPI, generally, doesn't support, I think, increased, I would say, regulatory and reporting requirements.

But there is a lot of transparency taking place with the EEOC, and also engagements with the Offices of Minority and Women Inclusion are underway. But we have recommended, and this was in a report that I submitted, Congresswoman, that more transparency be a higher priority.

And so, I think this is a journey. I think you are going to see a lot more of this. You have more institutions, for example, that since 2019 when the committee began its diversity and inclusion data collection have really promoted more transparency, releasing EEO-1s, and providing that accountability.

It is absolutely important, and that is why we put it in our best-practices report that we submitted to the committee, Congresswoman, and I believe that we are going on this journey.

Chairwoman BEATTY. Thank you for being transparent.

Mr. Hamilton, investors and stakeholders have increased demands for companies to conduct independent racial equity audits to ensure that they do not contribute to systemic racism and are committed to D&I.

Many of the nation's largest financial institutions are fighting these efforts. Do you support racial equity audits, and what do you think they tell us about the culture and commitment of corporations?

Mr. HAMILTON. Absolutely, I support them, and if we value something, then we should measure it and we should hold entities accountable, like we do with any aspect of government that we value.

Chairwoman BEATTY. Thank you.

Mr. Cravins, the National Urban League has issued a, "State of Black America," report for some 44 years. Beyond making financial donations, what must corporate America do to eliminate systemic barriers that drive racial and gender wealth gaps?

Mr. CRAVINS. Madam Chairwoman, I think Mr. Hamilton talked about it. I think you have to be transparent. I think you have to be held accountable. I also think you have to look internally at the men and women who are brought into the company to work on these issues.

I have had a stint in corporate America as well, and I have been that African American who has been part of those discussions. The African American in the room cannot be the only person calling for diversity, equity, and inclusion. As I would tell my White brothers and sisters, I need you to chime in as well. The company needs to hear it from you as well.

The only other advice I would give as well is that the men and women who are charged as that chief diversity officer, Madam Chairwoman, have to have a direct line of communication to the CEO of the company. They have to have a direct line in order for it to work.

Chairwoman BEATTY. Thank you.

Mr. Miah, in your testimony, you highlighted private equity and venture capital-backed Fintech as the fastest scoring category in alternative banking and lending in the country. Yet, less than 1 percent of venture capital investments go to Black entrepreneurs.

Should Fintech providers be regulated to increase transparency and accountability for their performance and practices?

Mr. MIAH. I am not sure they need to be regulated, if that is the solution. But I think there should be more transparency on what they are doing, and I think the regulators could do more to push banking regulations that support Fintechs as a way to increase the participation of the Black community.

Chairwoman BEATTY. Okay.

For Mr. Hamilton or you, Mr. Miah and Mr. Cravins or Ms. Holkins, Fintech is an important tool. But what are the best strategies to address financial services needs of consumers in the more than 1,100 banking deserts across the United States?

Mr. HAMILTON. Ultimately, we need public options. Ultimately, we need public banks. We need to set a floor to ensure that there is quality access available to anyone. If the private sector wants to exist, they can exist with a bottom floor provided by government.

Chairwoman BEATTY. Okay. Mr. Miah, I have 10 seconds. I will yield it to you.

Mr. MIAH. Sure. I am not sure you need public banks. I think everyone in America has a phone, and all you really have to do is get everybody using their phone for all the power it has, and that is from the poorest to the richest in America. And you see that happening around the world— India, Africa, and everywhere.

Chairwoman BEATTY. Thank you. And thank you to all of the witnesses. My time has expired.

The gentleman from Ohio, Mr. Gonzalez, is now recognized for 5 minutes.

Mr. GONZALEZ OF OHIO. Thank you, Madam Chairwoman. And thank you to our panel for their testimonies and contributions here.

Mr. Miah, I want to focus my questions on you. I was on your website, and you have a pretty amazing product, frankly: an FDIC-insured account within 5 minutes, with no service fees, no min-

imum requirements, and no overdraft fees. And it sounds like, no ATM fees if in network.

How, by virtue of being a Fintech and not having some of the cost structures of physical banks, are you able to deliver on that level of service?

Mr. MIAH. Being built from the ground up as a software company, we don't have the legacy problems of a major bank. So, that is one thing.

The second thing is something that happened after the last financial collapse of 2009, which was the Durbin amendment. Small banks can offer Fintechs the ability to collect a 1-percent merchant fee, which is almost double what Chase and the bigger banks over $10 billion offer.

So with as little as someone having our debit account and spending $800 a month, they are a profitable customer, and all they have to do is use the card. So, that is why it is possible.

Mr. GONZALEZ OF OHIO. Thank you for that. And then, one of the biggest barriers that we know of in terms of getting folks into the banking sector is a lack of trust. I think Mrs. Wagner mentioned that.

How does Paybby solve that? How do you enable trust in the Black and Brown communities?

Mr. MIAH. That is a great question. The one area that we have underinvested in this country is we still use legacy credit services and even though we are a Fintech, we sit on top of an FDIC bank. That is the structure of our market. And so, we have to get our accounts approved by the underlying bank. We are pushing now for them to look at alternative scoring and KYC methods, and we are working with some of the best data scientists in the world, which is a big issue.

And that is where we also need an African-American or a person-of-color perspective to change it, and then people will gain trust because they will see they can get an account using newer methods.

Mr. GONZALEZ OF OHIO. And what role do you see AI and machine learning playing in your ability to serve your customers?

Mr. MIAH. That is a huge part of what we are doing, is AI and machine learning because, again, we model, and looking at around the world, and many people who do not qualify for KYC, it is possible to find from their habits that they are very trustworthy, even though they have never had an account, because they go to the same check cashing, they go to the same grocery store.

You know who they are. It is just that their credentials don't match. But with AI, you can figure out who these people are and see that there is no fraud or other types of risk.

Mr. GONZALEZ OF OHIO. So if I heard you correctly, with the power of AI and machine learning, you can look at alternative data sources and find ways to pass KYC?

Mr. MIAH. Yes, correct. And I would say that is the biggest hurdle at the moment, the first hurdle, and then that hurdle extends itself to credit scoring, where there is alternative credit scoring methodologies that AI is now bringing into the fold.

And some of the faster, and a couple of the companies that actually have gone public, that is what they are doing. And some of the biggest ones, actually, they are using alternative——they are fund-

ing using private equity and off the balance sheet and AI because the banking regulators have been a little slow to adopt these methodologies and approvals.

Mr. GONZALEZ OF OHIO. Yes, I appreciate you sharing that.

In this committee, I think, frankly, that is a big moment, what you just highlighted, because we know that AI and machine learning have enormous potential.

We spend a lot of time, I think, rightly talking about whether these algorithms are going to reinforce biases. But I think what you are suggesting is, hey, look, we can do this in a way that is actually going to be inclusive and going to be additive for our communities.

Mr. MIAH. Yes. Actually, AI and machine learning is sort of like COVID; it is nothing but biology. AI and machine learning is nothing but math and computers. It is the people who program it that decide. So if we have the right people programming, then we can have a balanced perspective.

Mr. GONZALEZ OF OHIO. Great. And then a final question with my final 30 seconds. I notice you are going to be offering cryptocurrency access through the app. What role do you think cryptocurrencies can play in achieving some of our diversity initiatives?

Mr. MIAH. We already offer automatic savings, and we have had a lot of demand for cryptocurrency and most banks are now looking into it, which is an alternative savings method.

Our goal is to offer it, but we are looking at ways to do it in a way that gives the proper controls and guide rails so that people use it as a true investment product without the—

Mr. GONZALEZ OF OHIO. Thank you, sir. I wish you the best of luck, because I think it is an awesome company, and I am excited that you are doing it.

I yield back.

Chairwoman BEATTY. Thank you, Mr. Gonzalez.

The gentlewoman from Michigan, Ms. Tlaib, is now recognized for 5 minutes.

Ms. TLAIB. Thank you so much, Madam Chairwoman. I appreciate it. And thank you all so much for being part of this panel.

I want you all to know when I asked the CEOs of the six biggest banks in America if they knew what environmental racism was, none of them were very familiar with it at all. think the most that one said was that they were vaguely familiar with it.

Environmental racism isn't an abstract concept. I have seen it firsthand growing up in southwest Detroit. The Marathon Oil Refinery in the ZIP Code of 48217, a predominantly Black neighborhood, has directly contributed to one of the worst air qualities in the State of Michigan, with high rates of asthma and cancer.

And when I visit schools, Madam Chairwoman, and I read to a third-grade class, and they ask me what I do, I always start off by asking how many in the class have asthma, and a third of the class will raise their hand. Then, I talk about the fact that I work really hard to try to get us clean air.

Congresswoman Chisholm, the first African-American woman ever elected to the United States Congress, used to say that chil-

dren can't learn if they are hungry. Well, I also believe that children can't learn if they can't breathe, especially breathe clean air.

Mr. Hamilton, how has this kind of environmental racism contributed to the enormous racial wealth gap in our country?

Mr. HAMILTON. I guess it would be part of a whole infrastructure by which Black people are structured in a way where they don't have access to the resources that can enrich their ability to accumulate.

It is not coincidental who has access to good air and good land. These are products of both political and economic capital which Black people have not been afforded in United States history.

Ms. TLAIB. Thank you.

Ms. Holkins, I don't know if you know that even though Black folks, my Black neighbors, make up less than 15 percent of Michigan's total population, we saw higher rates of COVID-related deaths because of preexisting conditions in my community.

And we know that six members of the Business Roundtable who testified before our committee in May aren't familiar with the term, "environmental racism."

So, I am a little disappointed and a bit angry and outraged that the CEOs of some of the largest corporations in the world aren't thinking about how their actions and the projects they finance may directly lead to increased pollution in front-line communities like mine.

So, Ms. Holkins, do you think that the other 202 members of the Business Roundtable are familiar with the term, "environmental racism?"

Ms. HOLKINS. Yes, they are, and the members of the Business Roundtable really do take seriously the effects of climate change on underserved populations and, in particular, communities of color. So, yes, that is something that many of our members are aware of and, most certainly, is important to our membership.

Ms. TLAIB. Ms. Holkins, does the Business Roundtable plan to incorporate environmental impacts and environmental racism, the actual term, as part of its members' commitments to racial equity in our country?

Ms. HOLKINS. I believe that is a very important thing that must be considered. Currently, that is not within our racial equity and justice purview. But I am happy to take that back to my team and figure out how we can take into account environmental justice issues.

Ms. TLAIB. I truly appreciate that, because I truly believe it does directly impact economic opportunities like housing and health care.

My colleagues discussed today the importance of building trust, and asked, how do we do it? I think it truly starts with actions rather than fancy press releases and trinkets of what we call community benefits in the lens of corporations.

Addressing racial equity truly means reversing decades of environmental racism in our country and halting the damage that is still ongoing today.

And that is the challenge I leave you, Ms. Holkins, and the Business Roundtable and its members with today, and I am here to help and be a partner in that effort.

Thank you and I yield back.

Chairwoman BEATTY. Thank you for your questions.

The Chair now recognizes the gentleman from South Carolina, Mr. Timmons, for 5 minutes.

Mr. TIMMONS. Thank you, Madam Chairwoman.

Before I served in Congress, I started several successful small businesses. So I know from experience just how hard it can be to start a business and, as we all know, it has not gotten any easier over the last year. Small businesses like mine have borne the brunt of the economic pain inflicted by the pandemic.

But even before the pandemic, business formation was lower than it should have been. From 2007 to 2019, applications to form businesses that would hire workers dropped by 16 percent over that 12-year period, and that was during a time of economic prosperity resulting from the regulatory and tax reforms that made America more competitive in the global economy.

So, it is imperative that this Congress pursues an economic agenda that does not just support small businesses already in existence but creates an environment ideal for small business formation.

Throughout our country's history, small business formation and entrepreneurship has been the key to unlocking the American dream for millions upon millions of Americans, and we all know there will not be business formation without capital formation.

Back in May, the Securities and Exchange Commission's Small Business Capital Formation Advisory Committee made two specific recommendations to Chair Gensler, not simply to stimulate capital formation for new small businesses, but also to make it easier for women and minority-founded enterprises to raise capital for their endeavors.

The Advisory Committee noted that traditional institutional investors are known for pattern matching, or making investment decisions that replicate patterns of what a successful entrepreneur has looked like in the past.

But unfortunately, this often locks out women and minorities, who are often different from traditionally successful entrepreneurs.

The changes recommended by the Advisory Committee were: number one, increasing the cap on the aggregate amount of capital contributions and uncalled committed capital from $10 million to $150 million; and number two, increasing the allowable number of investors or beneficial owners from 250 to 600 for qualifying venture capital funds.

Following their recommendations, I am today introducing the Improving Capital Allocation for Newcomers Act of 2021 (ICAN Act), which would codify these recommendations.

We all know capital is the lifeblood of all businesses, but especially so for small businesses in their formative stages. I hope that my colleagues on both sides of the aisle here in this committee will join me in supporting these recommendations, which will no doubt go a long way toward supporting small businesses, especially those owned by women and minorities.

Along those lines, Mr. Miah, would you agree that access to capital for entrepreneurs is often the primary obstacle for business formation, and do you think that increasing the cap on capital contributions and the allowable number of investors in venture capital

funds will help assist our minority communities and women entrepreneurs, who admittedly have a harder time accessing capital and finding angel investors?

Mr. MIAH. Yes, I would say that access to capital may be the single-biggest problem that they have. Going back to your trust question, I think many of them do not trust the financial investors to give them capital, so they often don't apply. We were involved in Paycheck Protection Program (PPP) loans, and many of them don't even have the proper type of accounts or the accounting.

All of these things combined together make it difficult for them to get access to capital. So, it is giving them greater access to capital and supplying them with the tools to be able to qualify, and on-board them to getting the capital so that they can be on the road to developing their business.

Mr. TIMMONS. Having experienced firsthand the incredible number of banks that turned me down for loans, I really think that anything we can do to help new entrepreneurs succeed is a worthwhile endeavor.

So, I look forward to working with my colleagues on both sides of the aisle.

And with that, I yield back. Thank you.

Chairwoman BEATTY. Thank you for your questions.

The gentlewoman from Pennsylvania, Ms. Dean, is now recognized for 5 minutes.

Ms. DEAN. Thank you, Madam Chairwoman, and thank you to all of our witnesses for being here today and sharing your advice on this important set of topics.

The death of George Floyd, as we all know, sparked a necessary conversation on the need for meaningful reform that ensures true equality and justice for all.

But I know we are all frustrated that conversation is simply not enough. So, thank you to all of you for what you are doing to push these issues of justice and equality forward.

I want to take a look at the injustices that exist and continue to affect the economic success of Black Americans.

We all know and recognize by this subcommittee's work that banks and financial institutions have a role to play. We all have been a part of passing, for example, the George Floyd Justice in Policing Act, and we continue to push for that in terms of justice in our policing.

But on the financial institution side, Mr. Cravins, the National Urban League's work is well-known and well-renowned. At the end of your testimony, I was interested in something that you said, that organizations best suited to assist financial institutions have traditionally been underfunded.

Could you elaborate on who these organizations are and how they are funded? And how do they specifically help financial institutions reach these platforms and recognitions of equity?

Mr. CRAVINS. Yes, thank you, Congresswoman, for the question.

I was speaking about organizations like the National Urban League. We have been saying since 1910 that we live in the communities that are facing these inequities, these disparities.

There has been a lot of talk today about trust, that people have to trust the banks in order to take advantage of all of these great services that banks may be offering.

The National Urban League, the NAACP, many of the community organizations, and many local organizations that I couldn't name today, those are the go-betweens. Those are the organizations that have been trying to do this work for decades, for centuries.

And yet, they have been doing it through government grants, when the government gives those types of grants. They have been doing it through individual donation. I like to say tthat hey do it through blood and sweat equity.

And when, unfortunately, something really terrible and something very unfortunate happens, either nationally or in the community, sometimes they get it, like we are seeing through the George Floyd situation, where we are getting an outpouring of support.

What I am hoping, as I have said, again, is that this is not the beginning or the flash in a pan of this giving. I think what the unfortunate murder of George Ford has shown, and as we all know as leaders, is that we have a long way to go in this country.

But if we are going to be serious about it, let's really be serious about it. The Urban League has been calling, Congressman, for a Main Street Marshall Plan since the 1960s.

We rebuilt Europe after World War Two. We overinvested in Europe after World War Two. We have never overinvested in our urban America. We have never overinvested in our own schools and our own roads.

And as you debate an infrastructure plan, ladies and gentlemen, I ask you to just simply consider, what would be the harm in actually giving a group of people who never had boots, and never had straps, some bootstraps?

I know I have heard several times, African Americans, pull yourselves up by your bootstraps. They are still waiting for the boots and the straps in many of these communities, and these disparities you are pointing out, Congresswoman, are a result of systemic slavery, Reconstruction, and Jim Crow.

I said this to a very dear White friend of mine the other day. African Americans have never had the, "good old days." There has never been an age of innocence for African Americans. What were our, "good old days?" Reconstruction?

And so, we are still hoping to form this more perfect union that our forefathers talked about. We are still hoping that the good old days are to come.

Those are the types of organizations, Congresswoman, that I believe have been underfunded, and we are hoping that this is the beginning, and that this committee will continue this transparency and this accountability and we can make our country great for all Americans with this new support.

Ms. DEAN. Also connected to your opening statement is the notion that we all have to be in this together, whether you are sitting in a C-suite or around any table or you are participating in a Black Lives Matter march and everything in between. That is what impressed me.

I represent suburban Philadelphia. So, you can picture those areas where Black, White, young, old, people of every color and eth-

nicity, came together. That is when we know we will continue to make a difference.

But it is frustrating because George Floyd, of course, was heinously murdered, but we know in the time since his murder, hundreds of other men and women have been murdered by police, I guess not so openly and videotaped. So, it is very frustrating.

Can you maybe be specific on how, in suburban Philadelphia—I know I have 11 seconds left—the National Urban League could help us make progress in these areas?

Mr. CRAVINS. Sure. The National Urban League has 91 affiliates, Congresswoman, and they really do the heavy lifting. And I have to give credit, our affiliates are separate affiliates in their communities.

They have their own boards of directors, their own full-time paid staff, and they really make the difference in the Urban League movement. They are the ones who do the housing counseling. We have counseled over 850,000 people on how to start new businesses.

And so, organizations like the Urban League—obviously, I am a little biased, but there are others as well in the Latino community and all of our ethnic communities—are doing the real work, and how can we help? We can support them, we can bring attention to them, and we can encourage our financial institutions to support them.

Ms. DEAN. Thank you. And thank you, Madam Chairwoman. I yield back.

Chairwoman BEATTY. Thank you. Ranking Member Wagner, do you have any more members at this time?

Mrs. WAGNER. Not at this time. Please proceed.

Chairwoman BEATTY. Okay, thank you.

The gentlewoman from Texas, Ms. Garcia, is now recognized for 5 minutes. But first, let me say congratulations for being Vice Chair of this subcommittee.

Ms. GARCIA OF TEXAS. Thank you, Madam Chairwoman, and it is an honor to serve with you. And thank you for putting together this very important hearing on such an important topic, particularly, as was said earlier, as we approach certain anniversaries that are important on this topic.

This racial wealth gap is really not a new thing. It is long-standing and it is unacceptable, and as the previous witness just said, there has never been, "good old days." It has always been a struggle.

So, we must continue to fight hard to level the playing field and we need to go from the commitments that have been made to real action in closing that racial wealth gap.

There are also inequities with access to credit, especially small-business credit. Here in Houston, my district is 77 percent Latino. We are the fastest-growing market in the United States.

The Department of Labor found that Spanish-speaking Americans are expected to account for almost 65 percent of labor force growth through 2029, adding 7 million new workers, and as consumers, Hispanics are the single-largest and highest-spending minority in the United States today.

Yet, many institutions, from wealth managers to credit providers, have not actively sought to reach this growing market. Minority Depository Institutions and Community Development Financial Institutions have been engaging with these markets for a while, but they need our support.

They have received financial support from the big banks recently, which is great, but we wish they would do more. We need to make real substantive changes to make sure that we level that playing field.

My question is both for Mr. Cravins and Mr. Coles. Going beyond financial support, what must be done to increase the presence and strength of MDIs and CDFIs?

How can we help this industry grow and reach the markets that large banks fail to reach among people of color?

Mr. COLES. Thank you, Congresswoman, for that question.

As a former employee of the CDFI Fund, I thank you for your focus on this. This is terribly important. Large banks have been supporting CDFIs and MDIs and partnering with them as well, not only support, but partnering on business activities.

These are critical institutions. They are able to leverage the capital to better serve these communities. By statute, 60 percent of CDFI's activities have to be in underserved communities.

As a delivery channel for support and financial inclusion, there might be no better silver bullet. And so, I was so pleased to see Congress act, with $12 billion of capital support for these institutions in the recent appropriations bill.

I think, as a matter of policy, and BPI members have supported this, at a minimum, a billion-dollar budget for the CDFI Fund would be a great start toward including more resources for technical assistance, more resources for technology transitions, and better small business development support.

So, these are critical channels for relief and for economic growth, and I am so happy to see this sector receiving the attention that it has since last year.

We certainly need to do more. Over a billion dollars has been deployed. More is coming, Congresswoman.

Ms. GARCIA OF TEXAS. Thank you.

Mr. Cravins?

Mr. CRAVINS. Congresswoman, I really don't have much to add. I think Mr. Coles hit the nail right on the head, which is we need more of those types of institutions.

We would like the government to help make it easier but, obviously, with the right regulations to ensure that those institutions are doing the jobs they do. But it goes back to trust. I think those organizations are community-based organizations that people will trust.

We have language barriers. We have racial barriers, and I think those organizations could do a better job of actually getting to the hard-to-reach people, the persistently underbanked that we are talking about.

Ms. GARCIA OF TEXAS. Right. And for both of you, again, how can we really move all of these commitments that so many are making in the industry?

Many have made pledges and make commitments, but distribution of the funds requires grants. They are multi-year commitments.

So, what can we do to change it from commitment to real action and real accountability to ensure that the dollars that are committed actually will be spent?

Mr. COLES. Yes, ma'am. Thank you for that question.

I would say that by our accounts, almost a billion dollars is already out the door.

But with $50 billion committed, certainly there is a long way to go here, and I certainly recognize the need for speed here and that is critical.

But I think like any other institutions, you resource something, you budget it, you allocate resources to achieve a tactical objective, and that is underway. And I think the next time we meet, you are going to see a lot more here, and all I can tell you is that I have spoken to a lot of the executives doing this work at the banks.

Banks are hiring executives to do this work specifically, and they are engaging different community groups. They are engaging business partners to do this work.

And so, I understand the need for speed. I can tell you that these things are happening. I have seen it. I am talking to the people, and we are going to see a lot more. much sooner than we expect, Congresswoman.

But I understand the urgency here, and I think you are going to be pleased with the results over time.

Ms. GARCIA OF TEXAS. Right. And Mr.—

Chairwoman BEATTY. The gentlelady's time has expired.

Ms. GARCIA OF TEXAS. Thank you, Madam Chairwoman. I yield back.

Chairwoman BEATTY. Thank you.

The gentlewoman from Georgia, Ms. Williams, is now recognized for 5 minutes.

Ms. WILLIAMS OF GEORGIA. Thank you, Madam Chairwoman.

We have a lot of work to do when it comes to closing the racial wealth gap in this country, and in my district, which, unfortunately, is at the bottom of the list for all cities.

If we want to make significant progress on this issue, it is going to take both private industry and government making ambitious commitments.

But even more importantly, it is going to take intentional implementation of steps to reach these commitments and consistent measurement and assessment of progress.

Mr. Coles, can you tell me a little bit about how your members are measuring progress toward the objectives that they have devised to address the racial wealth gap, and how will this measurement be used to inform their plans and actions, going forward?

Mr. COLES. Thank you, Congresswoman. I think the BPI members are tracking according to a couple of different buckets the number of CDFIs and MDIs they have invested in, small businesses that they have engaged, philanthropic commitments and disbursements that they have made, and I think that these are areas that are also part of a journey.

I think standardized metrics across the industry are, certainly, something that people are looking at and I think, certainly, there is a lot more to do here in terms of tracking and reporting, which is, again, a part of the reason why in our best-practices report that we submitted to the committee, we highlighted that very thing.

So, I think there is a ways to go here, Congresswoman, to achieve what you are talking about. But it is important. The industry recognizes the need, and I think you are going to see a lot more here.

Ms. WILLIAMS OF GEORGIA. Just to follow up on that, and a couple of issues that I think are key to closing the racial wealth gap and identify how progress is measured, Mr. Coles, over the next year, what numeric milestones do you believe would represent sufficient progress towards your members' goals of helping more homebuyers of color get their first home, and how will evolving data inform your members' approach to tackling this issue?

Mr. COLES. Thank you, Congresswoman. I think, as was said earlier, what gets measured gets done, and I think that when we see more mortgages created for Black homeowners, more intentionality towards that, you are going to see that data improve.

So again, more investments in MDIs and CDFIs, and more investments directly in organizations promoting homeownership and providing direct grants for down-payment assistance.

These are things that are going to be helpful, and I think that when you look at the data, you are going to see a lot more people in homes a year from today.

Ms. WILLIAMS OF GEORGIA. Thank you. As I have explored in previous hearings, there are many racial disparities in the unbanked population, and we need to do everything we can to address the underlying factors that inhibit access to basic financial services so that people of color can save and invest for their future.

According to a 2019 FDIC survey, nearly half of the unbanked households didn't even have enough money to start a bank account. About one-third of unbanked households cited both high bank fees and unpredictable bank fees as barriers to getting banked.

Mr. Coles, you mentioned banks are expanding their offerings of no-fee, low-minimum-balance accounts. What numeric impact do you anticipate that this change will have on reducing the unbanked and underbanked population?

Mr. COLES. Thank you, Congresswoman. I hesitate to make a prediction about kind of the numeric impact.

But what I can say is that, given the factors that you have indicated in the FDIC report that were articulated so well, I think that with the proper amount of marketing about the existence of these products to customers, I think we can see a significant dent in the millions who are unbanked and the underbanked.

And that is in partnership with Federal, State, and local governments which are also joining the outreach and communication effort around these particular kinds of accounts and also, frankly, the marketplace.

The marketplace is demanding that banks do more on this, and you are seeing investments towards that effect. And we have seen more banks adding these accounts, in partnership with, like I said,

Federal, State, and local governments, and groups with which we are working.

So, there is a lot more to be done here, Congresswoman, but again, we are on the road.

Ms. WILLIAMS OF GEORGIA. Mr. Coles, how will your members use the trends in banking access data that is being collected to inform their future work in breaking down the barriers to banking?

Mr. COLES. That data is very helpful to informing decision-making and, hopefully, for those institutions that may be on the fence, they will be able to use that data to see that these products drive customer engagement and support, and also have meaningful impacts on the communities of which are a part.

So in addition to community impact, there is also going to be a positive business association with those accounts as well, and I think the data is going to demonstrate that to business decision-makers and make it a more attractive product, both to the customer, but also on the supply side, Congresswoman.

Ms. WILLIAMS OF GEORGIA. Thank you, Madam Chairwoman, and thank you, Mr. Coles, and all of our other panelists today. I yield back the balance of my time.

Chairwoman BEATTY. Thank you.

The Chair now recognizes the gentleman from Massachusetts, Mr. Auchincloss, for 5 minutes.

Mr. AUCHINCLOSS. Thank you, Madam Chairwoman, for holding a hearing through this lens. In meetings with my constituents, I have stressed that the Diversity and Inclusion Subcommittee has pushed financial institutions to take a closer look at diversity within their company, their customer base, and their investments.

In 2020, many financial institutions announced substantial investments in Black communities. Bank of America pledged $1 billion over 4 years, Citibank pledged $1 billion over 3 years, JPMorgan pledged $30 billion over 5 years, and PayPal pledged $510 million for small businesses.

These investments are a start to actively engage with communities that historically were purposefully excluded from our economy, and in my home State of Massachusetts, housing has been a principal means by which Black Americans have been redlined from opportunity.

Owning a home is the single-greatest driver of wealth for most families across the country. Yet, Black homeownership is at its lowest level since the 1960s, effectively curbing the ability to raise generational wealth.

Some of the banks have earmarked their investments specifically for increasing Black homeownership, and building on the comments of my colleague from Georgia, Mr. Coles, I would like to ask you, how should banks measure their success in this arena, specifically for increasing Black homeownership?

What should they be doing differently to achieve their homeownership goals if they are not hitting the metrics they establish?

Mr. COLES. Thank you, Congressman.

I think what you are seeing is a lot of activity already to support homeownership. There are partnerships with nonprofit groups to help provide affordable housing counseling, but also direct financial support to help people get in homes, things like helping people de-

fray the costs of closing, things like just general grants to help people provide down payments.

And that data is going to improve with more intentionality. And I really want to emphasize this point. Banks deploy capital. Banks lend to borrowers who are looking to get into homes.

Although a lot of that activity has migrated to the non-bank sector, what you are seeing is intentional support for this activity by banks, both on their own and in partnership with other institutions.

Mr. AUCHINCLOSS. Mr. Coles, I appreciate that. But what you are describing are the means, and what I am pushing for here is for an outcome as multi-threaded as homeownership, where there are a lot of things that contribute to homeownership, are there specific things that these major banks can be looking at to know that they are moving the needle?

Mr. COLES. Congressman, I am happy to circle back with your office on metric-specific analysis. I don't have that before me today.

But I think that generally, again, being intentional, especially with financial support to help these borrowers bridge that gap to get themselves into homes, you will see more progress, sir.

But I would be happy to follow up directly to your question.

Mr. AUCHINCLOSS. I would appreciate your partnership on that front, as this is a critical issue for our district, and measuring, I think, is going to be a big part of the solution.

Mr. Cravins, I would like to direct the second line of questioning to you. I was struck by an expression that you used, "a Marshall Plan for Main Street." I love that expression. I may adopt it, with your permission.

I would posit that with the American Rescue Plan funds in Massachusetts, $5 billion for States and cities with the upcoming infrastructure bill that we will pass, billions more for transit for, "complete streets," we have a generational opportunity for a Marshall Plan for Main Street. In fact, we are doing it with President Biden and with a Democratic Congress.

Are there areas that you would encourage States and cities, in particular, who are going to have a lot of latitude in how to spend this money at the end of the day, that they should be directing these investments into to accomplish this Marshall Plan for Main Street?

Mr. CRAVINS. Thank you for the question, Congressman.

I will say this about adopting the name. The Congressional Black Caucus has actually included the, "Domestic Marshall Plan," as the title piece of their Jobs and Justice Act that they have introduced over the last two Congresses.

I would simply say that you should sign on as a co-sponsor if they will let you, and support the bill. But thank you for that.

What I would suggest, Congressman, are a couple of things. I think Congress and the President, and the Administration are absolutely considering some generational changes.

I think, Congressman, schools, access to broadband, access to technology, would even those things. What I will say for this hearing and with your limited time, though, is this: Whatever we do should ensure that African-American and minority-owned busi-

nesses not only benefit from it as recipients, but they also benefit from it as business people.

We have not spent a whole lot of time on supplier diversity here today, but one way to really even things up and catch people up is to let African-American businesses participate and sell things and buy things and hire people.

And so, what I would suggest to you is that as we continue to build this infrastructure plan, and what it will be, we are also making sure that Black businesses and minority-owned businesses and women-owned businesses will be able to participate.

Mr. AUCHINCLOSS. I appreciate that answer, and I will yield back my time.

Chairwoman BEATTY. Thank you for those questions.

Ranking Member Wagner, we have no more questions. If you have no more questions—

Mrs. WAGNER. We do not. Chairwoman Beatty, thank you for this hearing today. And I also want to express to you personally my profound sadness for you and your family for the loss of your dear husband, Otto, and you know that you are always in our thoughts and prayers. God bless you. Thank you, all.

Chairwoman BEATTY. Thank you. Thank you so much, Ann, and thank you to all of the witnesses and all of the Members.

I would like to thank our witnesses for their testimony today.

The Chair notes that some Members may have additional questions for these witnesses, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to these witnesses and to place their responses in the record. Also, without objection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.

Also, without objection, I would like to enter statements into the record from the American Bankers Association, Color of Change, Financial Services Forum, and Securities Industries and Financial Markets.

This hearing is now adjourned.

[Whereupon, at 4:41 p.m., the hearing was adjourned.]

A P P E N D I X

June 29, 2021

BANK POLICY INSTITUTE

"The Legacy of George Floyd: An Examination of Financial Services Industry Commitments to Economic and Racial Justice"

Testimony of Fabrice Emmanuel Coles, Vice President, Bank Policy Institute
Before the U.S. House of Representatives Committee on Financial Services,
Subcommittee on Diversity and Inclusion

June 29, 2021

Chairwoman Beatty, Ranking Member Wagner, Chairwoman Waters, Ranking Member McHenry and Honorable Members of the Subcommittee, thanks so much for having me here today. I'm honored to appear before you.

My name is Fabrice Coles and I appreciate the invitation to discuss the efforts of the banking industry to address racial inequality. I am a Vice President of Government Affairs at the Bank Policy Institute, a nonpartisan public policy, research and advocacy group representing the nation's leading banks. BPI members include universal banks, regional banks and the major foreign banks doing business in the United States. Collectively, they employ nearly 2 million Americans, make 68 percent of all loans and nearly half of the nation's small business loans and serve as an engine for financial innovation and economic growth.

Madame Chair and esteemed Members of this Committee, I have worked with these financial institutions since 2019. I am here today to report that the nation's banks are rising up to meet the moment, helping reduce racial inequity by leveraging business models, networks and resources to better serve Black communities. Banks are actively engaged across the country in efforts to bring change – especially in the wake of the deadly pandemic and global awakening brought about by the murder of George Floyd.

I have led a working group composed of senior executives at BPI member banks to identify effective and innovative practices in this area. Banks already have built strategies, agreed upon budgets, allocated resources and built teams to execute on this agenda. **Investments** have been made. **Partnerships** have been cemented. **Product innovation** is ongoing. **Philanthropy** is continuing and focused on sustainable results. More than $50 billion has been committed. Billions have already been disbursed to communities across the country. In short, *progress* has been made, but given the nature of centuries of financial exclusion, *much* more remains to be done.

Banks are pursuing initiatives to drive greater financial inclusion and close racial equity gaps. Like other institutions in our society, financial institutions have sought to reduce racial equity gaps in income, education, housing and wealth with renewed urgency in light of the events of the past several years. Banks must be a part of the solution if there is to be meaningful improvement in outcomes for communities of color. Today our focus is on their efforts to reduce inequality with regard specifically to Black Americans. Many banks have worked to address racial equity concerns within their organizations and their communities for many years, but the events of 2020 – the pandemic's disproportionate impact on Black communities and the global response to the murder of George Floyd – have spurred fresh thinking, and action.

Banks are taking actions to combat racial equity gaps in the following ways:

- Investments
- Partnerships
- Product innovation and
- Philanthropy.

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Investments

BPI member banks know that in order to reverse course on centuries of financial exclusion, it is imperative that banks take the long view and invest in people and organizations that are producing economic growth in communities of color. BPI banks are making capital investments in community development financial institutions (CDFIs) and minority depository institutions (MDIs), investing in the next generation of Black entrepreneurs, and supporting neighborhood revitalization efforts alongside Black-owned investment firms. Banks are investing debt and equity capital but also supplying sweat equity working alongside partners to ensure that these investments bring shared prosperity. Lastly, banks are investing in the future of their own organizations by redoubling their efforts to recruit, retain, empower and promote Black talent.

CDFIs + MDIs

CDFIs and MDIs play pivotal roles in channeling needed financial resources to underserved communities. But due to the economic challenges faced by their customers and their stakeholders in general, these institutions require increased investment. These firms are an especially important delivery mechanism of capital to Black-owned smal businesses that have been disproportionately harmed by the pandemic. BPI member banks and MDIs/CDFIs have had relationships for many years, but since 2020, banks have increased their support for these institutions. More than $1 billion has already been committed to CDFIs and MDIs in 2020 alone, with the largest eight banks committing close to $10 billion since 2015. Banks are focused on making grants and equity investments aiming to support MDIs' and CDFIs' ability to improve their reach, a significant benefit to the communities they serve. In addition to equity investments and grants, banks are investing alongside these firms in revenue-generating deals and providing technical assistance as needed. Lastly, banks are also investing in the growth of next-generation minority-owned FinTechs that are focused on financial inclusion.

Investments in Black-Owned Businesses: Debt and Equity Capital

Clearly, Black-owned businesses were severely damaged by the pandemic. The road to rebuilding will be long, but banks are working with Black-owned small businesses to provide low-cost loans and equity investments to help entrepreneurs build, grow or rebuild their businesses. Young firms are an especially promising cohort, and Black founders tend to lack access to equity capital, similar to debt capital access disparities, so banks are increasing their investments in equity of early-stage Black-owned ventures. *(For information on small business grants, see "Philanthropy.")* The billions of dollars committed will help drive job retention and creation as the economy reopens after this devastating pandemic.

In addition to these efforts, during the pandemic, BPI member banks supported the recovery. BPI's research also has demonstrated that BPI members' Paycheck Protection Program (PPP) activity had a significant presence in minority communities: 30 percent of the loans originated by the nine largest retail banks went to areas with greater than 50 percent minority population, compared to 23 percent of the loans of smaller banks and nonbank PPP-participating institutions. About 28 percent of loans originated by all banks larger than $50 billion in assets went to majority-minority neighborhoods.[1]

Investments in Diversity and Inclusion

One of the best investments any bank can make is in its own people. As this Committee described in its 2020 report on Diversity and Inclusion, at 44 of the nation's largest banks, there was much more work to be done to increase diversity and inclusion at the highest management levels. Banks had been investing in their performance on key accountability metrics for improvements in diversity and inclusion within the firms prior to the pandemic.

[1] https://bpi.com/underserved-small-businesses-turned-to-large-banks-for-ppp-loans-during-2020/

The events of 2020 brought more focus to these efforts, and there are now more diverse C-suite executives, board members and personnel at America's major banks than there were in 2019, the year the Committee started its comprehensive D+I data request. In the past year alone, there have been thousands of new hires and promotions at BPI member banks. Black team members are being recruited and empowered. While there is more work to do, banks are committed to ensuring that the senior levels of the firm look more like America and are dedicating resources to bring about that reality.

Banks are also investing in the diversity of their suppliers, supporting minority-owned businesses while meeting their own needs. Since 2020, banks have expanded the rosters of supplier partners and have plans to further expand this focus with billions of dollars of additional investment activity in diverse suppliers announced.

Partnerships

Banks are scaling the impact of their efforts by partnering to hasten the delivery of broader access and support to Black customers and communities. The banks' partnerships are varied. Banks have been partnering with federal regulators and state and local governments to promote new thinking about how to significantly broaden access to banking services, credit and job creation. They've been working with national organizations to provide increased affordable housing counseling and home purchase support. Banks have joined with non-profit organizations to perform critical policy research related to Black communities or to scale the provision of technical assistance, talent development and technology consultation services to MDIs/CDFIs. They have committed to working with Historically Black Colleges and Universities (HBCUs) to invest in the pipeline of future financial services industry talent. And banks have entered into joint ventures to successfully execute revenue-generating billion-dollar deals with Black-owned broker-dealers and MDIs.

Banks have joined forces with the Office of the Comptroller of the Currency and with various leaders from the MDI sector to promote greater financial inclusion and the reduction of impediments to capital access by Black communities. This initiative, known as Project REACh, aims to improve credit underwriting processes and reduce the ranks of credit invisibles, increase the supply of affordable housing and revitalize MDIs. BPI member banks are also engaged in similar conversations about expanding and sustaining support for MDIs at the Federal Deposit Insurance Corporation. These partnerships can yield important long-term benefits for Black communities as a part of a broader set of partnerships across the country that are producing ecosystems of support for vital economic inclusion, capital access and community development efforts.

In addition to federal government partners, banks are also working in tandem with numerous entities and organizations to boost local impact. They are working with municipal governments and chambers of commerce to promote greater access to credit and job creation and with national civil rights groups on disparate initiatives like affordable housing counseling. As another example, one of BPI's member banks recently partnered with the National Urban League to expand access to transaction accounts. Banks have also joined forces with non-profits to fund research related to Black communities to better serve Black entrepreneurs and to help invest in MDI/CDFI partner-related initiatives.

Importantly, banks are partnering with HBCUs to invest in the pipeline of future financial services industry talent. These partnerships have resulted in investments in academic facilities, in new curricula executed by the banks in direct communication with students, in entrepreneurship competitions resulting in real investments and in increased financial support for finance students to help them defray the costs of their education. Banks are excited about these partnerships in particular because their benefits will accrue to the banks and to the HBCUs for many years to come.

Lastly, banks are engaged with more Black-owned businesses on revenue-generating business deals. These business partnerships have taken the form of loan participations in large financings with MDIs and debt

distribution deals as a part of capital markets syndicated financing with Black-owned broker-dealers. There is an upward trend in business opportunity for both MDIs and Black-owned broker-dealers since the onset of the pandemic, and with more exposure for these firms' products and services, it is expected that these opportunities will contribute to improved financial performance for these firms, further enabling them to better serve their communities in powerful examples of a virtuous cycle produced by directly engaging minority businesses.

Bank Products

Banks are offering more services and expanding credit products for underserved borrowers. The pandemic evinced the need for greater access to transaction accounts, especially as economic activity migrated online and to mobile devices. Banks are greatly expanding their offerings of no-fee, low-minimum-balance accounts to help attract more customers into the banking system, and once they become customers, banks are deepening those relationships by offering bridge loans and small-dollar and special-purpose credit options, support for first-time home buyers and increased small business lending. Beyond these current efforts, banks are also keeping an eye on the future and exploring how AI and alternative data can be leveraged to better understand credit risk in order to decrease the cost of credit products for borrowers who have been underserved in the past.

Bank On Transaction Accounts and Small-Dollar Lending

Banks have expanded their offering of low-fee transaction accounts with features that are attractive to unbanked and underbanked consumers. Many BPI member banks (with more in the pipeline) have designed these products in accord with the standards for "Bank On accounts," a designation of eligible bank accounts by the Cities for Financial Empowerment (CFE) Fund.[2] Bank On accounts help promote financial inclusion through expanded access to low-cost transaction accounts, products that we have seen are critical to helping customers transact in the modern economy, especially during the pandemic.[3] This could be a viable option to help more Black households engage with the banking system to develop deeper customer relationships and to access more affordable and consumer-friendly financial products than those available in the nonbank marketplace.

BPI banks are also working to provide more small-dollar credit products to help customers manage unexpected expenses. These loan products represent safer, more consumer-friendly alternatives to non-bank payday products. BPI banks have started offering small-dollar loans with consumer-friendly features that are also affordable and transparent. With these products in the market, customers have an alternative to small-dollar credit providers in the non-bank sector that could have much higher interest rates. BPI recently secured CFPB approval for a Small-Dollar Loan No-Action Letter template that banks can leverage to fashion their own iteration of small-dollar loan products. BPI research has shown that these products could be highly useful in helping households deal with unexpected expenses and, in conjunction with low-fee transaction accounts, could deepen banking system interactions by the unbanked and underbanked.[4]

Real Estate Investment and Support

Banks have long supported affordable housing development and neighborhood revitalization in hopes of promoting homeownership, but since last summer, banks have augmented their existing efforts with fresh commitments to accelerate the impact, and real estate support represents a significant portion of banks' overall racial equity promotion efforts. Banks are helping first-time Black homeowners purchase their homes with down payment grants, low-interest loans and a helpful array of related programming, such as housing counseling efforts, to make the home-buying process less onerous and costly.

[2] https://joinbankon.org/#/resources#bank-on-national-account-standards
[3] https://bpi.com/bank-on-transaction-accounts-making-traditional-banking-more-inclusive/
[4] https://bpi.com/a-new-path-to-offering-small-dollar-loans/

In addition to helping individual homeowners, banks are working with diverse developers to ensure that new real estate developments, like affordable rental housing units and new commercial spaces, benefit the future residents but also help recycle capital through communities of color. Banks' focus on affordable housing and commercial development is especially notable in their partnership with CDFIs with a goal of driving greater access to affordable housing supply and financing for underserved borrowers, including Black borrowers.

Philanthropy

The pandemic and a renewed focus on improving outcomes for Black Americans has created an important moment for philanthropy, with a surge in contributions. BPI member banks have pursued strategies that have combined the efforts of business units and the philanthropic organization to optimize and boost results and speed of delivery.

Banks have removed barriers to quick deployment of grant funds and broadened the permissible uses of funds. Some banks reassessed their grantmaking schedules and procedures to streamline the process and expedite payments to meet the massive demand called for by the pandemic and the racial justice moment. Banks have also permitted grantees to leverage the funding in more diverse ways, including for administrative expenses to address issues associated with the pandemic.

Banks are also listening to their employees' recommendations about how to best allocate grant funding, with new types of organizations (such as arts and entertainment providers focused on children's programming) and new leaders (such as those running social justice organizations) emerging as potent partners for change. There has also been a renewed focus on leveraging philanthropy to drive results in key areas of focus like housing and entrepreneurship via down payment assistance and small business support grants.

Advocacy

In addition to actions banks themselves are taking, they have been working to promote policy changes that they believe would improve financial inclusion for underserved communities and help close racial equity gaps.

Engaging Regulators and Congress

Banks have observed tensions among competing regulatory goals of safety and soundness, fair lending, community development and financial inclusion. The complexity of the regime that executes enforcement of laws and regulations across a number of agencies and supervisory teams leads to significant challenges in expanding capital access at scale. Banks are engaging Congress and their regulators in conversations about striking the proper balance to ensure that these frictions do not create unnecessary impediments to the appropriate deployment of capital for Black communities.

Banks are also advocating for reconsideration of the role real estate appraisals play in community development lending. Banks face challenges supporting commercial neighborhood renewal efforts due, in part, to current regulatory standards that may be making it prohibitively difficult to lend to community developers that face low appraisal values for the properties they seek to use as collateral for loans. Consequently, large-scale renewal and reinvestment efforts are hampered, as the costs of improvements exceed the appraised value. This situation also creates a disconnect and tension between potential expanded CRA activity and safety and soundness requirements. Banks have joined other advocates to call for policymakers and regulators to resolve this in a way that manages risk but allows for investment in underserved communities.

Banks have also expanded their advocacy efforts on Capitol Hill in favor of issues that will help close racial wealth gaps and drive equity. For example, banks recently supported a $1 billion annual budget for the CDFI Fund during the appropriations process in order to better meet the demand for the CDFI sector's products and services. Banks have also joined many other industries in supporting efforts to disclose self-reported identity characteristics of

board members and C-suite officials to shareholders.

Conclusion

Throughout our nation's history, banks have been essential to America's economic growth. While they help drive our prosperity, banks also serve as a mirror for the broader events in society.

When the world watched as George Floyd was murdered, America paused and considered what could be done to improve equity and inclusion. America's banks were a part of that triggered public conscience, and in the year since that tragic event have rededicated efforts to be a driver of brighter days ahead for all American communities.

BPI has submitted to the Subcommittee a living strategy document primarily created for the banks themselves in the midst of last summer's remarkable public conversation about racial justice. We hope it gives the public and the Committee a view into the seriousness of the tactical considerations underway at America's banks to support broad-based economic opportunity. We have included with our testimony an appendix that includes a sampling of some of our members' commitments that we thought would illustrate some of the actions we have outlined here in our testimony.

An honest assessment of the foundation that has been laid leaves me with a parting thought which is that while much has been done, unfortunately much more is left to do. But I can say that I am hopeful, and I hope my testimony gives you grounds for that hope as well.

Thank you for having me here today, and I look forward to taking your questions.

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Appendix: Sample of Racial Equity Efforts by BPI Member Banks

This list is a sample compiled by the Bank Policy Institute of our members' efforts and does not represent a comprehensive list of all BPI member activities. Additionally, categorization of each announcement was determined by BPI.

Member Bank	Effort	Release Date	Category	Resource
Ally	Ally Supports New Affordable Homes In A Historically Black Neighborhood In Charlotte	6/23/2021	Community Development	Read More
	Ally Provides Scholarships With The Congressional Black Caucus Foundation, The Thurgood Marshall College Fund And Other Organizations Supporting Black And Brown Students In An Effort To Fill Opportunity Gaps And Expand Career Options	2/2/2021	Scholarships	Read More
	Ally Launched Moguls In The Making, An Entrepreneur Pitch Competition In Collaboration With The Thurgood Marshall College Fund And The Sean Anderson Foundation, To Offer Students From Historically Black Colleges And Universities (HBCUs) An Opportunity To Develop Vital Skills And To Secure Paid Internships And Full-Time Employment	10/7/2020	Career Development	Read More

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Member Bank	Effort	Release Date	Category	Resource
Ally (Contd.)	New Ally Charitable Foundation To Focus On Economic Mobility Foundation To Make $1.6 Million In Inaugural Grants, Including Support For Minority-Owned Small Businesses	9/24/2020	Grants	Read More
	Statement: Ally's Commitment To Racial Justice And Equity In Our Communities	6/2/2020	Awareness	Read More
American Express	American Express' Coalition To Back Black Businesses Awards Grants To 600 Black-Owned Small Businesses	12/16/2020	Grants	Read More
	American Express Announces Billion-Dollar Action Plan To Promote Racial, Ethnic And Gender Equity For Colleagues, Clients And Communities	10/29/2020	Funding	Read More
	American Express Launches The "Coalition To Back Black Businesses" Grant Program With A $10 Million Commitment	9/15/2020	Grants	Read More
	American Express Announces Grants In Support Of The Black Community	6/3/2020	Grants	Read More
	Our Commitment To Standing Up For African-American Colleagues And The Black Community	6/3/2020	Support	Read More

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Member Bank	Effort	Release Date	Category	Resource
Bank of America	Bank Of America Helps Fuel Black Innovation With Launch Of The Center For Black Entrepreneurship	2/22/2021	Grants	Read More
	Bank Of America Triples Affordable Homeownership Commitment To $15 Billion	2/3/2021	Grants	Read More
	Bank Of America Announces Investments In 40 Private Funds Focused On Minority Entrepreneurs For Approximately $150 Million	1/26/2021	Investment	Read More
	World Economic Forum Launches Coalition To Tackle Racism In The Workplace	1/25/2021	Partnership	Read More
	Bank Of America Directed More Than $13 Million To Native American Communities Hardest Hit By The Coronavirus In 2020	1/14/2021	Investment	Read More
	Top Business Leaders Launch Oneten, Will Create 1 Million Jobs For Black Americans Over 10 Years	12/10/2020	Jobs	Read More
	Virginia Commonwealth University College Of Engineering Partners With Bank Of America To Advance Diversity And Inclusion In STEM	12/10/2020	Grants	Read More

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Member Bank	Effort	Release Date	Category	Resource
Bank of America (Contd.)	Bank Of America Gives 21 Higher Education Institutions $1 Million Each As Part Of Recently Announced $25 Million Jobs Initiative	11/19/2020	Commitments	Read More
	Bank Of America Announces 10 Completed Equity Investments In Minority Depository Institutions And Community Development Financial Institution Banks	10/26/2020	Investment	Read More
	Bank Of America Issues $2 Billion Equality Progress Sustainability Bond	9/25/2020	Investment	Read More
	Bank Of America Takes Steps To Increase Representation Of Diverse Asset Managers Across The Industry	9/2/2020	Workplace Diversity	Read More
	Bank Of America Directs $300 Million Of Its $1 Billion, Four-Year Commitment To Advance Racial Equality And Economic Opportunity	9/8/2020	Investment	Read More
	Bank Of America Announces Partnership With iHeartMedia To Bring First-Of-Its-Kind National Audio News Service To The Black Community	6/30/2020	Partnership	Read More

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Member Bank	Effort	Release Date	Category	Resource
Barclays	Barclays Celebrates Addition of Juneteenth as a US Federal Holiday	6/19/2021	Observance	Read More
	Barclays Is Helping To Close The Literacy Gap For Low Income Students Disproportionately Impacted By COVID-19	6/1/2021	Partnership	Read More
	Barclays Commits $1 Million To United Way of Delaware To Provide Free Resources To Black And Minority Small Businesses In Underserved Communities	5/15/2021	Entrepreneurship	Read More
	Barclays Global Supplier Diversity Showcase Presents The Showcase Series, Designed To Announce Our Third-Party Future Demand For The Purpose Of Crowdsourcing Potential Diverse Supplies To Compete For Our Business	3/24/2021	Entrepreneurship	Read More
	Barclays Names First-Ever Chief Diversity Officer, Ray Dempsey.	3/19/2021	Workplace Diversity	Read More
	Barclays Supports Social Innovators Developing Solutions To Tackle Racial Injustice	1/20/2021	Partnership	Read More

Member Bank	Effort	Release Date	Category	Resource
Barclays (Contd.)	Barclays In Partnership With The NFL Created A Social Justice Points Redemption Program Allowing Card Members To Donate Their Rewards To Social Justice Programs Such As The Martin Luther King Center For Change And The National Urban League	1/1/2021	Partnership	Read More
	Colleagues Share What Black History Month Means To Them	10/29/2020	Workplace Diversity	Read More
	Barclays Launches Dedicated Start-Up Accelerator For Black Founders	10/27/2020	Entrepreneurship	Read More
	Barclays Donation Helps Entrepreneurs to Provide Vital Emergency Support at a Time of Crisis for Americans Living in Poverty	10/14/2020	Entrepreneurship	Read More
	Barclays Launches Race at Work Action Plan	10/7/2020	Workplace Diversity	Read More
	Barclays Helps Close The Digital Divide With Remote Training During COVID-19	8/12/2020	Partnership	Read More
	Barclays Signs Race at Work Charter	10/18/2019	Workplace Diversity	Read More
BBVA USA	BBVA USA Announces Black And African-American Business Resource Group	2/17/2021	Workplace Diversity	Read More

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Member Bank	Effort	Release Date	Category	Resource
BBVA USA (Contd.)	BBVA USA To Observe Juneteenth	6/16/2020	Observance	Read More
	"BBVA Stands Side-By-Side With Our Black Employees, Customers, And Communities"	6/2/2020	Awareness	Read More
BMO Financial Group	BMO Announces Early Actions Supporting $5 Billion Commitment to Inclusive Economic Recovery in the U.S.	5/25/2021	Commitments	Read More
	Bold Conversations: One Year Later – What Has Happened Since George Floyd	5/25/2021	Awareness	Read More
	Five Women-Led Startups Selected For BMO Harris Bank And 1871 WMN•Fintech Program	5/21/2021	Entrepreneurship	Read More
	Rush University System for Health and BMO Financial Group Announce $10 Million Donation to Create the Rush BMO Institute for Health Equity	5/10/2021	Donation	Read More
	Forbes Names BMO Harris Bank One Of The Best Employers For Diversity 2021 For The Third Year In A Row	4/20/2021	Workplace Diversity	Read More
	BMO Celebrates Barrier-Breaking Black-Led Businesses	2/24/2021	Entrepreneurship	Read More

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Member Bank	Effort	Release Date	Category	Resource
BMO Financial Group (Contd.)	BMO Named One Of The World's Most Ethical Companies By The Ethisphere Institute For The Fourth Year In A Row	2/23/2021	Workplace Diversity	Read More
	BMO Ad Highlights Empower In Time Magazine's Black Renaissance Issue	2/11/2021	Commitments	Read More
	Investing In Our Communities	2/1/2021	Community Development	Read More
	BMO Celebrates Black History Month	2/1/2021	Observance	Read More
	BMO Harris Bank Earns Top Score On 2021 Corporate Equality Index	1/28/2021	Workplace Diversity	Read More
	BMO Employees Rally Together To Combat Economic And Social Disparity	12/18/2020	Donation	Read More
	BMO Harris Launches Black- And Latin-Owned Small Business Programs	12/1/2020	Minority Lending	Read More
	BMO Commits $5 Billion To Advance Inclusive Economic Recovery In The U.S.	11/10/2020	Commitments	Read More
	BMO Donation Makes Latino Progresando's New Community Resource Center In Little Village Neighborhood A Reality	11/9/2020	Community Development/Donation	Read More
	Juxtaposition Arts And BMO Harris Bank Create Mural Of Hope & Unity	10/29/2020	Community Development	Read More

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Member Bank	Effort	Release Date	Category	Resource
BMO Financial Group (Contd.)	BMO Harris Bank Receives Five-Star Rating From Hispanic Association On Corporate Responsibility	10/1/2020	Workplace Diversity	Read More
	BMO Capital Markets To Donate C$1.6 Million Following 16th Annual Equity Through Education Trading Day	9/24/2020	Donation	Read More
	Cara And BMO Harris Bank Extend Job Offers As Part Of Workforce Development Program	9/23/2020	Jobs	Read More
	BMO Capital Markets Celebrates 16 Years Of The Equity Through Education Trading Day	9/17/2020	Donation	Read More
	Instituto Del Progreso Latino Pivots To Keep Their Community Safe	9/14/2020	Partnership	Read More
	BMO Unveils New Diversity and Representation Goals for Next Five Years	9/9/2020	Workplace Diversity	Read More
	Five BMO Bankers Named To Crain's 2020 Notable Minorities In Commercial Banking List	7/27/2020	Workplace Diversity	Read More
	BMO Announces Next Steps In Eliminating Racial Injustice	7/13/2020	Commitments	Read More

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Member Bank	Effort	Release Date	Category	Resource
BMO Financial Group (Contd.)	BMO Financial Group Donates To Organizations In The U.S. And Canada To Support Social And Racial Justice, And Inclusion	6/3/2020	Donation	Read More
	BMO's Leslie J. Anderson Recognized On Savoy Magazine's 2020 Most Influential Black Executives In Corporate America List	4/16/2020	Leadership	Read More
	A Glorious Success	3/4/2020	Partnership	Read More
	BMO Empower	Ongoing	Commitments	Read More
BNP Paribas	Spring 2021 - BNP Paribas Black History 365	2/1/2021	Events	Read More
	Our Response To Radical Injustices	Ongoing	Support	Read More
BNY Mellon	BNY Mellon Commits $20 Million To Fund The Future Workforce	11/5/2020	Investment	Read More
	Partnership With Year Up	Ongoing	Partnership	Read More
	Provided Support To Select Organizations Opposing Discrimination And Advancing Equality For All, And Launched The Equality Campaign Matched Giving Program	Ongoing	Support	Read More
Capital One	Empowering Entrepreneurs From Underrepresented Backgrounds	2/23/2021	Entrepreneurship	Read More

Member Bank	Effort	Release Date	Category	Resource
Capital One (Contd.)	Capital One Helps Launch Social Justice Reform Initiative	2/17/2021	Investment	Read More
	Building Digital Connections In The Bronx	2/16/2021	Funding	Read More
	Creating Economic Stability For DC's Ward 8 Residents	2/10/2021	Partnership	Read More
	My Brother's Keeper: The Power Of Transformative Mentoring	2/9/2021	Grants	Read More
	Honoring The Resilience And Progress Of Black Americans	1/26/2021	Partnership	Read More
	Evoking Legacies Of Black Achievements Through Preservation	1/26/2021	Partnership	Read More
	Creating Equal Opportunity Through Digital Access	1/19/2021	Partnership	Read More
	A Star-Studded, Socially-Distant Golf Event Supporting Historically Black Colleges And Universities (HBCUs)	12/7/2020	Investment	Read More
	Resilience Reimagined: The Knowledge House	12/3/2020	Support	Read More
	Fighting Homelessness With Affordable Housing	11/20/2021	Partnership	Read More
	Resilience Reimagined: Boys & Girls Club Of Harlem	11/12/2020	Support	Read More
	A Banker Becomes So Much More For One Afterschool Program	11/10/2020	Partnership	Read More

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Member Bank	Effort	Release Date	Category	Resource
Capital One (Contd.)	Capital One And Webster Residence Are Providing Affordable Housing To Formerly Homeless Single Adults In The Bronx Community	10/26/2020	Partnership	Read More
	Student Banking Program Offers Firsthand Financial Education	10/22/2020	Education	Read More
	EduSaveDC Aims To Improve The Finances Of Ward 8 Families	10/13/2020	Education	Read More
	Perspectives: Ijeoma Oluo On Racism In America	9/17/2020	Awareness	Read More
	Café Ambassador Supports Minneapolis Community Amid Unrest	9/1/2020	Investment	Read More
	Perspectives: Exploring Unconscious Bias With Howard Ross	8/27/2020	Awareness	Read More
	Announcing Black Girl Magic Summit Pitch Competition Winners	8/21/2020	Grants	Read More
	MLK Gateway Welcomes Capital One Café To Historic Anacostia	8/19/2020	Community Development	Read More
	Perspectives: Michele Norris On The Race Card Project	7/30/2020	Awareness	Read More
	Capital One's Hunger Relief Efforts	7/2/2020	Grants	Read More
	Capital One's Pledge To Social Justice For Black Communities	6/5/2020	Grants	Read More

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Member Bank	Effort	Release Date	Category	Resource
Capital One (Contd.)	A Message From Rich Fairbank, Chairman And CEO	6/2/2020	Commitments	Read More
Charles Schwab	New Ariel-Schwab Black Investor Survey Shows Black Americans Continue To Trail Their White Counterparts In Building Wealth	2/25/2021	Awareness	Read More
	Charles Schwab Establishes Endowed Scholarships To Support Students From Underrepresented Communities	2/23/2021	Scholarships	Read More
CIBC	Loop Capital Markets Was Ranked First In The Categories Of Best Banking Firms For Diversity And Best Banking Firms For Women By Vault In April 2021	6/23/2021	Workplace Diversity	Read More
	CIBC Recognized As One Of Canada's Best Diversity Employers For 2021 For 11th Consecutive Year	3/2/2021	Workplace Diversity	Read More
	CIBC Further Invests In Black Leaders, Changemakers And Entrepreneurs	2/24/2021	Funding	Read More
	CIBC Asset Management Commits To The Responsible Investment Association's Investor Statement On Diversity And Inclusion	10/1/2020	Commitments	Read More
	CIBC Announces Measures To Stand Against Systemic Racism	7/21/2020	Workplace Diversity	Read More

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Member Bank	Effort	Release Date	Category	Resource
CIBC (Contd.)	CIBC Contributes $700,000 To Local Organizations Supporting Black Communities	6/4/2020	Funding	Read More
Citibank	Citi Hires Black-Owned Firms Exclusively To Distribute $2.5 Billion Bond Issuance In Commemoration Of Dr. Martin Luther King Jr. Day	1/28/2021	Commitments	Read More
	Citi Launches More Than $1 Billion In Strategic Initiatives To Help Close The Racial Wealth Gap	9/23/2020	Funding	Read More
	I Can't Breathe	5/29/2020	Awareness	Read More
	Action For Racial Equality	Ongoing	Commitments	Read More
Citizens Bank	Citizens Joins With Everfi To Present Inaugural Black History Month Challenge	2/8/2021	Scholarships	Read More
	Citizens Bank Announces Award Of Grants For Minority-Owned Small Businesses	9/30/2020	Grants	Read More
	Citizens Announces $10 Million Investment To Promote Social Equity And Advance Economic Opportunity In Underserved Communities	6/25/2020	Investment	Read More
	Our Journey For Social Equity	Ongoing	Various Programs	Read More

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Member Bank	Effort	Release Date	Category	Resource
Comerica	Comerica Bank Takes Part In HACR Research Initiative Measuring Hispanic Inclusion In Corporate America	9/29/2020	Workplace Diversity	Read More
	Comerica Bank Partners With Minority Depository Institutions	8/19/2020	Partnership	Read More
	Comerica Bank And National Business League Announce $1 Million Commitment To Support Black-Owned Small Businesses	6/19/2020	Funding	Read More
	Comerica Bank Earns Top 3 Rating On DiversityInc Top Regional Companies For Diversity List	5/11/2020	Workplace Diversity	Read More
Discover	Discover Expands Fully Funded Undergraduate Degree Program to Include University of Arizona and Paul Quinn College, One of the Nation's Oldest HBCUs	6/3/2021	Education	Read More
	Discover To Open New Customer Care Center In Chicago's Chatham Neighborhood And Bring Nearly 1,000 Full-Time Jobs To The Area	4/4/2021	Jobs	Read More
	Discover Commits $5 Million To Support Black-Owned Restaurants	7/6/2020	Commitments	Read More
	Message From Roger Hochschild: Rising To The Call Of Anti-Racism	6/1/2020	Donation	Read More

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Member Bank	Effort	Release Date	Category	Resource
Fifth Third Bank	Diversity Statement	Ongoing	Workplace Diversity	Read More
	Diversity and Inclusion in the Workplace	Ongoing	Workplace Diversity	Read More
	Capital for Minority-Owned Small Businesses	Ongoing	Investment	Read More
	Fifth Third Boosts Investment in Detroit Minority Depository Institution	6/14/2021	Investment	Read More
	Fifth Third Bank Celebrates Juneteenth	6/17/2021	Observance	Read More
	Fifth Third Bank's 53 Ideas Competition Supports Entrepreneurs With Capital & Training	5/2/2021	Entrepreneurship	Read More
	Fifth Third Bank Named to Forbes Best Employers for Diversity 2021 List	4/23/2021	Workplace Diversity	Read More
	Fifth Third Bank, National Minority Development Council Launch Certificate Program for Small Businesses	4/15/2021	Entrepreneurship	Read More
	Fifth Third Bank Hosts Inaugural HBCU Leadership Conference	4/12/2021	Workplace Diversity	Read More
	Fifth Third Marks National Financial Capability Month With Virtual Financial Literacy Events with Operation Hope	4/5/2021	Education	Read More

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Member Bank	Effort	Release Date	Category	Resource
Fifth Third Bank (Contd.)	Fifth Third Exceeds Five-Year Community Commitment, Achieves $41.6 Billion in Support Against $32 Billion Goal	4/2/2021	Community Development	Read More
	Fifth Third Foundation Announces Recipients Of $1.2 Million In Grants For Black, Woman-Owned Businesses	3/23/2021	Grants	Read More
	Ethisphere Announces Fifth Third Bank As One Of The 2021 World's Most Ethical Companies	2/23/2021	Workplace Diversity	Read More
	Fifth Third Executive Vice President Joins National Urban League Board of Directors	2/12/2021	Workplace Diversity	Read More
	Fifth Third Bank Announces $2.8 Billion Investment To Accelerate Racial Equity, Equality And Inclusion	12/7/2020	Investment	Read More
	Fifth Third Bank Names Executive Vice President Kala Gibson Chief Enterprise Corporate Responsibility Officer & Head of Business Banking	12/1/2020	Workplace Diversity	Read More
	Fifth Third Bank Offers Career Development Programming for HBCU Students	10/27/2020	Career Development	Read More

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Member Bank	Effort	Release Date	Category	Resource
Fifth Third Bank (Contd.)	Fifth Third Foundation Powers $1.2 Million Innovation Meets Main Street Program For Black, Women-Owned Entrepreneurs	9/14/2020	Entrepreneurship	Read More
	Fifth Third Bank Joins HBCU Partnership Challenge	9/3/2020	Education	Read More
	The Charlotte R. Schmidlapp Fund, Fifth Third Bank, Trustee, Gives $1.6 Million Endowment To Support Career Development Of Minority Women In Medicine And Biomedical Research	8/13/2020	Career Development	Read More
	Fifth Third To Observe Juneteenth Day	6/15/2020	Observance	Read More
First Horizon	First Horizon Names Anthony C. Hood, PhD As Chief Diversity, Equity And Inclusion Officer	10/29/2020	Workplace Diversity	Read More
Goldman Sachs	Update On Inclusion And Diversity At Goldman Sachs, Including New Aspirational Goals	8/5/2020	Workplace Diversity	Read More
	Goldman Sachs Announces Fund For Racial Equity Grant Recipients	6/18/2020	Grants	Read More
	Goldman Sachs Announces 2020 Launch With GS Black And Latinx Entrepreneur Cohort	5/14/2020	Entrepreneurship	Read More

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Member Bank	Effort	Release Date	Category	Resource
Goldman Sachs (Contd.)	Goldman Sachs Commits $10 Billion In Investment Capital And $100 Million In Philanthropic Capital To Impact The Lives Of 1 Million Black Women	3/10/2020	Investment	Read More
HSBC USA	Racial and Ethnic Diversity Data Published	10/28/2020	Workplace Diversity	Read More
	HSBC Bank USA Grants $800,000 To Support Minority-, Women- And Immigrant-Owned Businesses	10/1/2020	Grants	Read More
	Ralph Jardine Named US Head Of Inclusion And Culture	9/24/2020	Workplace Diversity	Read More
	Six-Pillar Framework To Improve Inclusion For The Black/African-American Community	8/31/2020	Workplace Diversity	Read More
	HSBC Bank And The Center For An Urban Future Sponsor Forum To Discuss Challenges Facing Immigrant- And Minority-Owned Businesses As A Result Of The COVID-19 Pandemic	8/11/2020	Awareness	Read More
	Global Race Commitments	7/28/2020	Workplace Diversity	Read More
	HSBC Bank USA Named Among Top 50 Companies In DiversityInc's Annual Ranking	5/14/2020	Workplace Diversity	Read More

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Member Bank	Effort	Release Date	Category	Resource
Huntington	Huntington Launches A New $25 Million Lending Program Dedicated To Minority-, Women- And Veteran-Owned Businesses	10/20/2020	Entrepreneurship	Read More
	Diversity, Equity & Inclusion (DEI) At Huntington	Ongoing	Awareness	Read More
	Huntington Launches 5-Year, $20B Effort Toward Income Equality	9/2/2020	Investment	Read More
JPMC	JPMorgan Chase Commits $350 Million To Grow Black-, Latinx- And Women-Owned Small Businesses	2/25/2020	Investment	Read More
	JPMorgan Chase Announces Initiatives To Support Minority-Owned And Diverse-Led Financial Institutions	2/23/2021	Investment	Read More
	JPMorgan Chase Commits $30 Billion To Advance Racial Equity	10/8/2020	Investment	Read More
KeyBank	Starting Meaningful Conversations About Racial Inequity	Ongoing	Awareness	Read More
	Diversity, Equity, and Inclusion Resource Page	Ongoing	Commitments	Read More
	Diversity, Equity, and Inclusion 2020 Environmental, Social, and Governance Report	2020	Commitments	Read More

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Member Bank	Effort	Release Date	Category	Resource
KeyBank (Contd.)	KeyBank Donates $300,000 In COVID-19 And Social Justice Support To Central And Southwestern Ohio Nonprofits	10/1/2020	Donation	Read More
M&T Bank	M&T Bank And Wilmington Trust Announce Partnership With Schomburg Center For Black History Month	2/1/2020	Partnership	Read More
	M&T Bank Supports University Of Maryland, Baltimore's Community Engagement Center With $50,000 Gift Will Help Fund Financial Education And Career Training For West Baltimore Residents	12/14/2020	Investment	Read More
	M&T Bank Launches Local Tech Apprenticeship Program To Expand Computer Science And Engineering Skills In Underrepresented Communities	11/16/2020	Education	Read More
MUFG	Union Bank Announces $10 Million Commitment To Philanthropic Organizations Dedicated To Creating A More Economically Inclusive Society	6/18/2020	Donation	Read More
Northern Trust	Event with Chicago Fed: Accelerating Business Diversity in Chicago	6/3/2021	Events	Read More

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Member Bank	Effort	Release Date	Category	Resource
Northern Trust (Contd.)	Northern Trust Expands Supplier Diversity	5/26/2021	Program	Read More
	Siemens Foundation And Northern Trust To Invest $10M In Community Development Financial Institutions To Support Racial And Social Equity In Underserved Communities	1/14/2021	Investment	Read More
	Racial Injustice Spurs Northern Trust Chief To Break His Silence	8/16/2020	Awareness	Read More
	Northern Trust Commits US$20 Million To Reduce Opportunity Gap	6/15/2020	Investment	Read More
	Northern Trust Provides $100 Million in Small Business Support	5/11/2020	Funding	Read More
PNC	As Of June 21, 2021 (Roughly 1 Year Since Announcement And Starting Jan 1, 2021) – PNC Has Deployed $207M Of Capital In Loans And Equity Investments To Fulfill Its Pledge Of $1B To Help End Systemic Racism And Support Economic Empowerment Of African-Americans And Low- And Moderate-Income Communities	6/21/2021	Investment	Read More

Member Bank	Effort	Release Date	Category	Resource
PNC (Contd.)	PNC Foundation To Partner With Sesame Workshop To Address Racial Justice Through $6.2 Million Grant	5/19/2021	Community Development	Read More
	PNC Announces $88 Billion Community Benefits Plan	4/27/2021	Community Development	Read More
	PNC First Bank To Offer Two Bank On Certified Accounts	3/30/2021	Community Development	Read More
	Empowerment & Inclusion Capital I Corp., the First Purpose-Driven SPAC Focused on Acquiring a Diverse or Inclusive Business, Sponsored by The PNC Financial Services Group, Inc. and Jefferies Financial Group Inc., Announces Pricing of Upsized $240 Million Initial Public Offering	1/7/2021	Investment	Read More
	PNC Commits $10M To Support Small Businesses In Pittsburgh	8/13/2020	Investment	Read More
	PNC Commits More Than $1 Billion To Help End Systemic Racism And Support Economic Empowerment Of African-Americans And Low- And Moderate-Income Communities	6/18/2020	Investment	Read More
	PNC To Close Early In Observance Of Juneteenth	6/17/2020	Observance	Read More

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PNC (Contd.)	A Message From PNC Chairman, President And CEO Bill Demchak	Ongoing	Awareness	Read More
	PNC Bank Exec Says To Expect More Investments In Racial Justice In Greater Washington	7/14/2020	Investment	Read More
	Investor In Greenwood, An Atlanta-Based Digital Banking Platform Serving Black And Latino Business Owners And Individuals Nationwide	3/25/2021	Investment	Read More
	Invested In Goalsetter, A Black-Owned Finance App That Teaches Financial Literacy To Children Of All Ages	1/25/2021	Investment	Read More
	Introduced Paid Time Off For Cultural Observances For PNC Employees	Ongoing	Workplace Diversity	Read More
	Launched Internal 2021 Year Of Inclusion Communication And Programming To Embed D&I Best Practices Deeper Into The Company	Ongoing	Workplace Diversity	Read More
Popular	Popular Bank Named Among First Investors of NWK FAM Fund	10/13/2020	Investment	Read More
Raymond James	Raymond James Leadership Pledges Continued Commitment To The Black Community And Programming To Address Racial Inequality	6/23/2020	Workplace Diversity, Investment	Read More

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Member Bank	Effort	Release Date	Category	Resource
Regions	A New Way for Banks to Think About Supporting CDFIs	5/24/2021	Community Development	Read More
	Executives with Regions Bank and the PGA TOUR Discuss Equity and Community Engagement at the Regions Tradition	5/6/2021	Community Development	Read More
	Regions Receives 2021 A.G. Gaston Award for Longstanding Support of African-American Entrepreneurship	2/25/2021	Entrepreneurship	Read More
	Regions Participates In Black & Latino Economic Summit	2/18/2021	Community Development	Read More
	Equity. Opportunity. Inclusion. Regions' Ming-White Joins CEO Action Fellowship	10/12/2020	Workplace Diversity	Read More
	Regions Bank And Regions Foundation Build On Investments Supporting Racial Equity And Economic Empowerment	6/30/2020	Investment	Read More
	Regions Bank Closing Early On June 19 To Observe Juneteenth	6/18/2020	Observance	Read More
Santander	Santander Bank Expands Its Signature Cultivate Small Business Program To Help Early-Stage Food Entrepreneurs Strengthen Their Businesses	5/11/2021	Entrepreneurship	Read More

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Member Bank	Effort	Release Date	Category	Resource
Santander (Contd.)	Santander Consumer USA Partners with Operation HOPE to Provide Financial Wellness Program for Employees	2/2/2021	Partnership	Read More
	Santander US Signs The Hispanic Promise	10/16/2020	Workplace Diversity	Read More
	Santander US Announces $5.2 Million In Giving And Initiatives Supporting Social Equity	7/2/2020	Investment	Read More
	Santander US Announces Closures In Observance Of Juneteenth	6/15/2020	Observance	Read More
State Street	The New Commonwealth Racial Equity And Social Justice Fund Announces Multi-Million Dollar Contributions From Eastern Bank Charitable Foundation And State Street Foundation	7/22/2020	Investment	Read More
	Racism Degrades All Of Us	6/1/2020	Awareness	Read More
Synchrony	Synchrony Commits $15 Million to Black, Latinx and Female VC Funds - *Investment to Support Underserved Founders and Communities*	5/20/2021	Investment	Read More

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Member Bank	Effort	Release Date	Category	Resource
Synchrony (Contd.)	Synchrony Launches Initiative to Advance Education Equity: *-Company to Invest $50 Million to Expand Access to Higher Education, Skills Training and Financial Knowledge Needed to Succeed* *-'Education as an Equalizer' Aims to Empower Students, Communities and Employees to Build a Stronger, More Inclusive Future*	5/13/2021	Investment	Read More
	Diversity and Inclusion at Synchrony – Fact Sheet	5/1/2021	Awareness	Read More
	Synchrony Joins Coalition to Hire One Million Black Americans in 10 Years	4/20/2021	Workplace Diversity	Read More
	Diversity & Inclusion at Synchrony: What We've Heard & What We're Doing	11/2/2020	Workplace Diversity	Read More
	Synchrony Recognized for Leading Diversity And Inclusion Efforts	8/27/2020	Workplace Diversity	Read More
	Synchrony Sets Up Task Force to Address Racial Equality at Firm	6/25/2020	Workplace Diversity	Read More
	Synchrony and the Synchrony Foundation Pledge $5 Million to Organizations Supporting Social Justice and Equity	6/25/2020	Investment	Read More

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Synchrony (Contd.)	Resolving To Build A More Just Society	2/1/2020	Awareness	Read More
Synovus	Synovus Makes $1 Million Contribution To UNCF, Names Scholarship Fund In Honor Of State Representative Calvin Smyre	8/4/2020	Education	Read More
TD	First Book Launches Black Kids Matter Campaign to Amplify and Celebrate Young Black Voices	6/15/2021	Partnership	Read More
	TD Bank Announces $100 Million Equity Fund to Support Minority-Owned Small Businesses	6/2/2021	Investment	Read More
	TD Bank Rises to #14 on DiversityInc's Top 50 Companies for 2021	5/17/2021	Investment	Read More
	TD Releases 2020 Environmental, Social and Governance Report and TD Ready Commitment Report	3/5/2021	Partnership	Read More
	MLK Day: TD Honors Commitment To Racial And Social Justice	1/19/2021	Awareness	Read More
	International African American Museum Receives New Markets Tax Credits from TD Community Development Corporation	10/14/2020	Investment	Read More

Member Bank	Effort	Release Date	Category	Resource
TD (Contd.)	The TD Community Resilience Initiative Will Support United Way's Atlantic Compassion Fund To Help Seniors, Children, LGBTQ2+ Youth And Black Communities	10/14/2020	Donation	Read More
	The TD Charitable Foundation Provides $4.9 Million to Address Growing Rental Burden Crisis	9/14/2020	Philanthropy	Read More
Truist	The Truist Foundation Awards Purpose Built Communities $7 Million Grant	11/17/2020	Grants	Read More
	Truist Donates $40 Million To Launch Innovative Nonprofit Fund Supporting Ethnically, Racially Diverse And Women-Owned Small Businesses	9/23/2020	Donation	Read More
	United Way And Truist Partner With First National Youth Poet Laureate To Spread Message Of Unity	7/20/2020	Partnership	Read More
UBS	UBS Partners With Southern Intercollegiate Athletic Conference To Invest In The Next Generation Of Talent	2/23/2021	Education	Read More
	UBS Nextgen Leaders	Ongoing	Education	Read More
	Tom Naratil: Investing In Our People And Our Communities	7/1/2020	Commitments	Read More

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UBS (Contd.)	A Societal And Generational Mind Shift	2/9/2021	Awareness	Read More
	Unfiltered Conversation: Organizations And The Fight For Justice, Equality And Opportunity	12/10/2020	Awareness	Read More
U.S. Bank	This U.S. Banker Created A New Role Teaching Diverse Youth About Building Wealth	6/21/2021	Education	Read More
	For Juneteenth, Heed 'Separate and Unequal' Warning And Move Forward Together	6/17/2021	Observance	Read More
	BankThink: End Racial Disparity In Awarding New Markets Tax Credit Funds	5/12/2021	Other	Read More
	DiversityInc Top 50 Companies	5/7/2021	Workplace Diversity	Read More
	U.S. Bank Supports Russell Innovation Center	5/4/2021	Investment/Entrepreneurship	Read More
	U.S. Bank Access Fund	5/4/2021	Investment/Entrepreneurship	Read More
	U.S. Bank Named By LinkedIn To 50 Best Workplaces To Grow Your Career	4/29/2021	Workplace Diversity	Read More
	#StopAsianHate: U.S. Bank Provides Additional Support To AAPI Organizations	4/6/2021	Grants	Read More
	Milwaukee Developer Brandon Rule Aims To Help Close The Racial Wealth Gap	2/19/2021	Community Development	Read More

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U.S. Bank (Contd.)	U.S. Bank Launches New Approach To Build Wealth And Create Access For Diverse Communities	2/17/2021	Investment	Read More
	U.S. Bank Continues Arts Support In Charlotte With Jazz Masterpiece Celebrating Black History Month	2/8/2021	Grants	Read More
	U.S. Bank Access Commitment	2/6/2021	Community Development	Read More
	Civil Rights Pioneer Leona Tate Has Big Plans For The Redeveloped McDonogh 19 School	2/1/2021	Investment	Read More
	U.S. Banker Alicia Townsend Bridges Family Generations On MLK Day	2/14/2021	Awareness	Read More
	U.S. Bank Hosts Virtual Trade Show To Boost Supplier Diversity	12/16/2020	Workplace Diversity	Read More
	Entrepreneur Eric Seals Is Growing Digifé With A Focus On Diversity In Storytelling	11/16/2020	Donation	Read More
	Minneapolis Business Owners Take Virtual Stage With U.S. Bank Diversity Executive At The Atlantic Festival 2020	9/24/2020	Investment	Read More
	U.S. Bank Donates $5 Million To Local Communities As Part Of Rebuild And Transform Fund	9/23/2020	Donation	Read More

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U.S. Bank (Contd.)	U.S. Bank Outlines Details Of $15 Million Rebuild And Transform Fund	8/19/2020	Donation	Read More
	U.S. Bank's $5M In Grants To Twin Cities Includes Funds For Trauma Care	8/18/2020	Grants	Read More
	U.S. Bank Announces $1 Million In Grants To Black-Led CDFIs	8/10/2020	Grants	Read More
	Summer Interns Bring Diverse Experiences, Perspectives And Skills To U.S. Bank	8/6/2020	Workplace Diversity	Read More
	U.S. Bank Foundation Partners With Girls With Impact	7/7/2020	Partnership	Read More
	U.S. Bank To Close Branches Early To Recognize Juneteenth	6/16/2020	Observance	Read More
	U.S. Bank Chief Diversity Officer Greg Cunningham On Responding To Tragedy In Minneapolis	6/3/2020	Awareness	Read More
	U.S. Bank Climbs The DiversityInc Top 50 Companies For Diversity List In 2020	5/6/2020	Workplace Diversity	Read More
Wells Fargo	Wells Fargo's Open For Business Fund Boosts Access To Minority Lending	1/19/2021	Minority Lending	Read More
	Wells Fargo Names Kleber Santos As Head Of Diverse Segments, Representation And Inclusion	11/2/2020	Workplace Diversity	Read More

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Wells Fargo (Contd.)	Wells Fargo NeighborhoodLIFT Program Helps Narrow Homeownership Gap In Minneapolis And St. Paul	10/15/2020	Investment/Homeownership	Read More
	Wells Fargo's Diversity Initiative To Hire More Black Leaders Probed By Labor Department	10/7/2020	Workplace Diversity	Read More
	Wells Fargo Funds Legal Assistance For Renters At Risk Of Eviction	9/24/2020	Grants	Read More
	CEO Charlie Scharf Reinforces Commitment To Diversity And Inclusion	9/23/2020	Workplace Diversity	Read More
	Wells Fargo Progress on Diversity, Equity & Inclusion	Ongoing	Commitments	Read More
Zions	Zions Bank Aims To Bring More Diverse Businesses To Its Supply Chain	2/24/2021	Workplace Diversity	Read More
	Martin Luther King Jr.'s Push For Economic Inclusion	2/11/2021	Awareness	Read More
	"Buy Black Friday" In Support Of Black-Owned Small Businesses On Nov. 27	11/23/2020	Support	Read More
	Sign Up For Zions Bank's Spanish-Language Entrepreneur Workshop	6/16/2020	Entrepreneurship	Read More

The Time Is Now: 30 Best Bank Practices to Help Improve Outcomes In Black Communities

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June 28, 2021



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Introduction

Americans of color, particularly Black Americans, face significant, interconnected barriers that have led to persistent financial and economic inequality and unacceptable outcomes across quality of life indicators, particularly regarding health care, education and wealth accumulation. While economic exclusion is a persistent problem for all marginalized communities, this document focuses primarily on the Black community. The Federal Reserve's most recent statistics show that Blacks experience adverse credit outcomes across all income levels, with Black adults with incomes over $40,000 a year more than twice as likely as Whites to have credit applications denied. Nearly one in five Black adults making over $100,000 a year reports being denied credit, more than twice the rate of White adults. And the rate of Black adults who are unbanked is more than double the rate of adults overall. [1]

The banking sector is the primary source of financial intermediation, providing credit and channeling savings into productive use. There is, undoubtedly, a complex historical element to acknowledge, from the use of Black American slaves as collateral[2] to the establishment of "plantation banks" that leveraged plantation and slave asset values as the basis for the expansion of bank operations.[3] In slavery's aftermath, the mainstream banking system remained largely closed to Black Americans, and so large-scale benefits of financial inclusion were denied to the community as a whole. [4]

Even deep into the 20th century, there was little economic advancement and financial inclusion for most Black Americans. [5] This disparity persists to the modern day, driven by the shortcomings of past policy, neglect and intentional exclusion. [6] The Social Security Act initially excluded domestic and farm workers, who were disproportionately Black, at the time of its passage, [7] and the federal government's Home Owners' Loan Corporation's[8] red-lined community maps led to private-sector financial exclusion of Black communities for decades and ensured that economic growth tied to homeownership was elusive for Black Americans. [9] These disparities persisted despite the passage of federal legislation in the latter part of the 20th century, such as the Equal Credit Opportunity Act, the Fair Housing Act and the Community Reinvestment Act. Into the early 2000s, Black borrowers paid more for subprime loans than their White counterparts, even controlling for credit profile.[10] Even in recent times, there has been a growing gap between White and Black homeownership rates, in part tied to higher unemployment and longer duration of unemployment experienced by Black workers. [11] Today, the Black unemployment rate is nearly double that of the White unemployment rate. [12] With the recent public debate about systemic racism and the reality of Blacks' position in modern American society, many are exploring what can be done to improve conditions in Black communities. As a part of these discussions, it makes sense to explore how to prioritize economic inclusion. [13]

Banks must be a part of the solution if there is to be meaningful change in improving outcomes for Black Americans. Many banks have worked to develop and implement strategies that seek to address racial equity concerns within their organizations and in their communities for many years, but the events of 2020–the disproportionate impact of the pandemic on Black communities and the global response to the murder of George Floyd–have spurred fresh thinking, engagement and action. These strategies have involved deep internal and external stakeholder engagement coupled with significant investments and innovative strategies. These areas of focus include increased small business lending, increased affordable housing lending or development financing and exploring methods to significantly increase omnichannel access to banking services.

After consultation with our member banks, BPI has catalogued below a number of best practices that banks may consider to help reduce economic difficulties facing Black Americans and advance the cause of equality. BPI banks are already pursuing many of these innovative strategies, and we hope that profiling these approaches will give all banks the opportunity to consider which practices are most appropriate to their engagement strategy.

Best Practices

Diversity, Inclusion, Philanthropy and Partnerships

Banks are working to promote progress in their own organizations and externally as well. These efforts have manifested themselves in disparate strategies as banks are selecting tactics that are best suited to their resources and the needs of their communities. Internally, BPI banks have been optimizing their diversity, equity and inclusion practices and programming. Externally, banks are looking at ways to immediately expand their philanthropic activities and boost their partnerships with other entities in ways that will benefit impacted communities and maximize the desired effects.

BPI member banks have been working with their teams to identify concrete next steps to ensure that their diversity, equity and inclusion efforts are meaningful and impactful. They have been engaging with employee resource groups, performing personnel check-ins, holding diversity dialogues around racial injustice and observing Juneteenth. Some firms have held "How to Be an Active Ally" discussions, while others have tied senior executive pay to diversity data improvements. Some programs have been underway for several years, but there is increased recognition that to move the needle on these seemingly intractable issues, new approaches and greater resources will be needed. BPI banks are aware that their racial equity strategy to recruit, retain and advance Black talent will make significant contributions to the broader cause of racial justice. They are also mindful that much more work needs to be done to ensure that diverse representation exists at the highest levels of the firm and that more accountability is needed to ensure that meaningful gains occur. BPI CEOs are also aware that leadership matters, and the tone for this set of issues must be set at the top to ensure proper resourcing and execution, particularly given the cross-functional nature of the work.

With regard to external engagement, BPI banks know that their philanthropy, partnerships and procurement actions should be driven by consultation with a diverse internal set of stakeholders with an eye towards constantly assessing the positive impact on the communities they serve. This year has been an inflection point, and banks are working to ensure that planned programming is executed quickly to speed resources to areas of great need and are doing the work of long-term strategic planning with these issues at the forefront of executives' minds as resource allocation and work plans are determined. This has resulted in tactical pivots to speed up the delivery of resources as well as expanded consultations as organizations do the important work of refining the opportunity sets for engagement to ensure that they are meeting areas of highest need. This has meant reinvigorating existing partnerships, seeking out new partners and exploring new areas of focus.

D+I EFFORTS

Best Practice 1: Continue listening to diverse voices on your team. Firms should continue to focus on elevating diverse voices on their teams and providing resources necessary to resolve latent concerns throughout the organization. This work is well underway at most BPI banks, while for some, this is a new effort. Most firms are ramping up engagements between firm leadership and their employee resource groups and holding internal town halls across business units in order to identify action items.

Best Practice 2: Ensure that D+I personnel report to the C-suite, CEO. Banks could consider elevating the function of Diversity and Inclusion at the firm ensuring that top diversity and inclusion officers serve at a senior level and report directly to the CEO or to the top of the house.[14]

Best Practice 3: Establish and invest in a cross-functional task force that will focus on executing needed changes that are identified by diverse personnel after robust consultation. Banks should consider establishing a permanent task force responsible for shepherding internal change addressing issues relevant to promoting diversity, equity and inclusion at the firm, from ideation to fruition. This task force should include personnel across business units and functions and should be properly resourced with requisite and continual access to the CEO or a designee, such as the D+I officer or a senior executive who reports directly to the CEO. This task force should be directed to leverage quantitative and qualitative approaches to improving the internal environment for underrepresented minorities. BPI banks that have pursued this tactic have leveraged existing metrics to observe trends and created dashboards for executive teams to identify areas for action using the metrics. This task force could also be responsible for working with other personnel at the firm to identify targeted external actions or philanthropic initiatives in addition to the work it is doing to execute internal change.

Best Practice 4: Publish diversity, equity and inclusion data. Define the metrics that matter related to the diversity of the bank workforce, equity in the relevant work outcomes for similarly situated personnel and the fostering of an inclusive workplace that welcomes and retains diverse talent. Firms should devote resources to tracking these data over time and publish the progress (or regress) for review by all stakeholders. This will help hold the bank accountable to the mission while also building credibility with external stakeholders. If the data do not improve meaningfully over a specifically articulated timeline, hold senior management accountable by, for example, tying executive pay to improved outcomes.

Best Practice 5: Establish robust policies focused on retention and promotion and invest in the pipeline. Tactics pursued by BPI banks include establishing or expanding mentoring programs, improving internal job opportunity communications, including flagging new opportunities for Black staff and creating a continual dialogue between Black employees and senior management, and establishing or expanding minority leadership development programs. Additionally, banks must work to ensure that the diversity of the applicant talent pool is deep and consider multiple diverse candidates for open roles, especially at the senior management or board level. Every open position should be filled after the consideration of a slate of candidates that should include minorities, especially underrepresented minorities in banking like Black Americans. Going further, banks should endow scholarships for finance, legal, computer science and engineering students and tie those to internships; tie the internships to permanent positions. They can achieve some of this by deepening their relationships with Historically Black Colleges and Universities (HBCUs). Additionally, they could identify high schools and junior high schools to "adopt" to execute programming related to banking to boost relationships and awareness.

Only ***intentionality*** can turn the pipeline into a truly diverse, equitable and inclusive workforce. Make it a priority to hire Black people and do it. Make them feel valued when they arrive and work to promote them and invest in their development. Make sure that your firm is not tolerating disparate outcomes for personnel of the same or substantially similar experience or skill.

PHILANTHROPIC SUPPORT

The pandemic and renewed focus on improving outcomes for Black Americans has created an important moment for philanthropy, with a surge in contributions. This could be an inflection point for a tailored delivery and injection of grants to diverse efforts, addressing pockets of need across the United States. To optimize this opportunity, banks should ensure that planning, communication and execution of philanthropic strategies are seamless and involve the whole organization, leveraging efforts across banking units as well as philanthropic operations.

Best Practice 6: Ensure that philanthropy works closely with business units, particularly those committed to community development and external outreach. To optimize delivery of funds for recipients, a "whole of organization" approach is necessary to leverage existing efforts across the bank. Senior management should ensure that this cross-functional collaboration occurs continuously. Absent senior leadership, bank units and the philanthropic arm can operate in silos which will hamper the scale of the impact that the bank could be having in its local and national footprints.

Best Practice 7: Empower bank personnel to assist in selection of philanthropic giving and spur personal involvement by matching your team members' generosity, tying efforts to workplace giving initiatives. Banks are listening to their employees' recommendations about new potential recipients of grant funding, with new types of organizations and new leaders emerging as potent partners for change. Some banks have chosen to match their employees' personal giving to causes of their choice, which can serve as a powerful incentive for personnel to develop a more outward-facing and charitable orientation.

Best Practice 8: Remove barriers to quick deployment of grant funds during the pandemic and broaden the permissible uses of funds. Several BPI banks are reassessing their grantmaking schedules and procedures to streamline the process and expedite payments to meet the massive social demands called for by the pandemic and the racial justice moment. Banks should also permit grantees to leverage the funding in more diverse ways, including for administrative expenses, given the significant revenue declines currently facing organizations.

Best Practice 9: As an industry, consider a massive joint investment in a particular sector or a fund. One possible model is the National Basketball Association team owners who have pledged to invest $300 million into a fund that addresses racial injustice.[15] (Since this would represent a collective industry action with potential market implications, banks should confer with legal counsel and potentially with relevant antitrust advisers to ensure that such a structure would comport with current law and regulation.) Joining forces would allow for larger-scale investments to be a powerful indication that the banking industry is committed to addressing pervasive inequality.

Best Practice 10: Bank foundations should explore partnerships with each other as well as with philanthropic operations in other sectors to scale up grants for diverse purposes even beyond banking. Banks could work with other corporations to help fill funding gaps for organizations with diverse missions, like education and healthcare. Several banks are already executing on this model with great success, partnering with foundations across their local geographic footprint to address racial and economic inequality. This combination of resources could leverage differing capabilities and areas of expertise and magnify the impact of the grant funding.

Best Practice 11: Never consider philanthropy a substitute for refining business practices to better serve overlooked communities or for emphasizing diversity and inclusion across the organization and its business processes. Firms should not be satisfied to give money to Black causes, as important as that giving can be. For significant economic change to occur, banks as lenders and employers need to do much more, as those dollars dwarf any philanthropic commitment.

MEANINGFUL PARTNERSHIPS THAT SCALE

As the work of racial equity continues, banks have a diverse set of organizations to consider supporting. To maximize their engagement, banks should consider their desired spheres of influence, goals and resources as well as their customers, employees, shareholders and potential partners' values and goals. After identifying partners engaged in work that aligns with their vision, banks should explore how to align national and local delivery of these services.

Best Practice 12: Focus on strategic partnerships with long-term impact and a scale appropriate to goals and reach. The most effective strategies for change require coordination at both the local and national level. Banks can partner with any number of entities and do great work with local organizations making an impact in their geographic footprints, but in addition should consider ways to optimize positive outcomes in Black communities by pursuing partnerships that have a local presence and a national reach. These organizations can help to build broader coalitions and are well-positioned to help banks refine their learnings, which can inform service delivery and improve outcomes.

Best Practice 13: Devise metrics to track partnerships, monitor goals and execution. "If you can't measure it, you can't improve it." Banks should closely monitor relevant metrics specific to their philanthropic engagements and partnerships to hold themselves and their partners accountable to specified goals and to address any areas that need improvement. Metrics would be specific to the engagement (e.g., loans disbursed to underserved borrowers, jobs created, houses built, lives saved, students educated).

Calibrating Banking Business Models to Expand Product Offerings and Drive Change

Best Practice 14: Work with regulators to keep customers in the banking system. Current banking agency guidance requires that banks charge off unpaid overdraft fees within 60 days of being incurred. [16] Often, in meeting this requirement, banks are forced to close the account. Beyond this, the charge-off is generally reported to a specialized reporting agency that impairs the customer's ability to open transaction accounts at other banks. This unnecessary result can and should be avoided to ensure that banks are not driving customers away from formal banking relationships but rather promoting deeper and safer engagements with the banking system. Banks should work with regulators to assess and deploy options for addressing this harm, by for example establishing special accounts that could help the customer address the shortfall responsibly without being involuntarily removed from the system entirely.

Best Practice 15: Expand small-dollar lending products as safer, more consumer-friendly alternatives to non-bank payday products. Too large a portion of American consumers face financial fragility; 65 percent of American households face hardship with a decrease in income and an expenditure spike. [17] As noted, Black Americans are especially vulnerable to an income shock. BPI banks should consider offering small-dollar loan and card products with consumer-friendly features that are also affordable and transparent. These products would serve as a viable alternative to payday loans while concurrently serving the borrowers' needs and helping them boost their credit profile. BPI recently secured CFPB approval for a Small Dollar Loan No-Action Letter template that banks should leverage to fashion their own iteration of small-dollar loan products. [18] BPI small-dollar lending research has demonstrated that these products could be highly useful in helping households deal with unexpected expenses. [19] These products, in conjunction with low-fee transaction accounts, could deepen banking system interactions by the unbanked and underbanked.

Best Practice 16: Consider offering low-fee transaction accounts with features that are attractive to unbanked and underbanked consumers. According to the FDIC, 17 percent of Black households are unbanked, meaning they do not have access to a bank account. The same FDIC study noted a correlation between being unbanked and turning to "alternative financial services."[20] Many BPI member banks have designed and offered low-fee or no-fee transaction accounts with features that are attractive to unbanked or underbanked consumers, and this could be a viable option to help more Black households engage with the banking system to develop deeper customer relationships and to access more affordable and consumer-friendly financial products than those available in the non-bank marketplace. [21]

One option for banks to attract underbanked and unbanked consumers is the Bank On program, which centers on low-cost deposit accounts and appears to be achieving major success in reaching its target population. Bank On certified accounts disproportionately associate with areas that are predominantly minority-populated, according to St. Louis Fed data analyzed by BPI – nearly 60 percent of accounts opened in 2017 were in ZIP codes that are more than 50 percent minority-populated. Likewise, Bank On accounts are disproportionately in areas that are predominantly low- or moderate-income.

CDFIs, MDIs, NMTC, LIHTC and CRA

BPI member banks are actively engaged in supporting the work of expanded community development finance across the United States. BPI members' efforts have boosted mission-driven lending that is transforming households and small firms while investing in neighborhood renewal and refurbishment across the United States. The difficulties presented by the COVID-19 virus have made worse already perilous conditions in many communities and left households, small businesses and entities of all kinds reeling. Banks are continuing to take these developments into account as they execute previous plans of action, renew their commitments and explore ways to expand their activities in this space.

CDFI AND MDI OPPORTUNITIES

Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs) are excellent delivery systems for financial resources in underserved communities. CDFIs are mission-driven organizations that provide a high-touch customer experience as well as culturally appropriate marketing and customer service. MDIs are depository institutions that are majority-owned by minority individuals. They help customers who may not engage with larger depository institutions or who do not feel valued by "mainstream" financial institutions. Most of the Black-owned MDIs are also certified CDFIs and their community development missions are built into their DNA, predating the creation of the U.S. Treasury's CDFI Fund, which was established in 1994 to certify CDFIs and support them with resources. The CDFI Fund has been historically underfunded relative to the demand in the marketplace. In short, CDFIs and MDIs often serve as a bridge for customers as they improve their financial health en route to deeper engagement with the broader financial system.

These institutions play a critical role, but due to the chronic economic challenges faced by their customers and their stakeholders in general, these institutions could benefit from increased support. Black-owned MDIs have experienced challenges in recent years; declines in the past decade have left only 20 of these MDIs that primarily serve Black American customer bases. [22] Unfortunately the need for their services has not declined, as Black Americans remain far more likely to be underbanked compared to their White counterparts. Fifty percent of Black American households are unbanked or underbanked. [23]

CDFIs are an especially important delivery mechanism of capital to Black-owned small businesses that have been decimated during the pandemic; reports indicate that nearly half of the United States' Black-owned small firms have had to shut their doors. [24] A benefit to partnering banks, which must always be cognizant of the risks in their capital allocation, is that CDFIs have specialized risk management knowledge about their customers and how to ensure timely and fair repayment, which can promote risk-managed lending. With more support from banks, these institutions could significantly improve their reach, a significant benefit to the communities they serve.

Best Practice 17: Banks should consider bold partnerships, anchored by CDFIs and MDIs, which will result in significantly more lending directly to Black American consumers and businesses. Banks could work with CDFIs and MDIs to build more formal partnerships focused on providing different kinds of resources but sharing a singular focus of dramatically addressing pervasive economic inequality in American Black communities. Diverse stakeholders such as state, local and federal governments, the foundation sector, the non-profit sector, universities, high net worth individuals and corporate entities could all participate. There are different roles that can be played, including:

- Corporations, banks, foundations and high net worth individuals could work together to:
  - Provide large grants to or invest in preferred equity of MDIs/CDFIs
  - Partner with MDIs/CDFIs on various revenue-generating business opportunities as appropriate
  - Partner in providing deposits as needed for liquidity
  - Support operational improvements and efficiencies at MDIs/CDFIs by:
- Helping to build and scale improved data science and analytics capabilities
- Helping invest in superior technological capabilities
- Leveraging their own personnel to provide relevant technical assistance to MDIs/CDFIs
- Government entities could work with the other coalition members to explore how to augment appropriate levels of subsidy or other means to support risk sharing across the deployment of various products or across various specific projects in partnership with MDIs/CDFIs. Forms of subsidy exist in various iterations but now is a time to explore how to optimize these policy tools given the high levels of interest by the private and non-profit sectors in increased investment in financially underserved communities.

For these partnerships to be successful, they will need coordination between bank partners and other stakeholders. These partnerships can take various forms. Banks should lead these conversations given their financial strength, technical expertise, varied customer networks, government and non-profit relationships and convening abilities. Establishing such a coalition and exploring ways to scale such a model to communities in need across the U.S. could have a powerful, sustainable and transformative impact for decades to come. BPI staff has engaged various relevant stakeholders in conversations about similar models and can help direct your personnel to these contacts accordingly.

Best Practice 18: Banks should help CDFIs and MDIs invest in compliance and customer-facing technologies. Banks have been investing in technology to drive efficiencies and better serve their customers for some time, but more must be done to help build and scale these solutions for MDIs and CDFIs which historically have not had the extra resources to invest in new technologies. If banks were to provide grants to help them transition away from legacy systems and customer-facing technologies, MDIs and CDFIs could benefit from improved customer acquisition and increased revenues. At a minimum, banks could leverage their significant technology talent to provide technical assistance to MDIs and CDFIs as they pursue these sorely needed investments. This could be done on a volunteer basis or through programmatic delivery systems such as endowed internships/fellowships for this express purpose.

Best Practice 19: Banks should support financial resilience in the MDI and CDFI sectors by investing in their equity and providing guarantees or credit facilities as appropriate. MDIs, which are more like traditionally regulated depositories than CDFIs, could be strengthened through more capital, and there is an opportunity for larger banks to provide it. The majority of CDFIs are loan funds and therefore not subject to capital regulation, but there are other mechanisms to help bolster their financial stability as well. Investing in the resilience of these institutions is currently a bipartisan policy priority in Congress, and banks' involvement in providing lifelines to these entities would be a significant benefit to the communities that they serve.

Best Practice 20: Expand project-specific investment partnerships with MDIs and refer rejected loan applicants to CDFIs and MDIs. What deals can be worked on in tandem with MDIs that will help increase their cash flow and ultimately return on equity? Banks should consider where MDIs could fit into various aspects of their business and decide if there is room to engage an MDI or several as potential partners in the provision of products, services or processes such as payments transactions, loan participations or Community Reinvestment Act projects. This approach would be especially powerful when paired with capital injections into these MDIs. Additionally, banks could also help credit applicants they have rejected seek out other options to meet their needs. A customer may not yet be prepared to borrow from a more mainstream bank, but banks could earn goodwill (and a potential future customer relationship) by referring a rejected applicant to MDIs or CDFIs. Banks have reported that this model is an effective one for making connections with new customers while helping them meet their needs.

NEW MARKETS TAX CREDITS and LOW-INCOME HOUSING TAX CREDITS

The New Markets Tax Credit (NMTC) program helps transform underserved and challenged neighborhoods in low-income communities by leveraging the private capital of corporate and high net worth investors via a tax credit against those investors' federal income tax liabilities. Those investors make equity investments in NMTC intermediaries called Community Development Entities (CDEs) in return for the tax credit allocation and those monies are invested in low-income communities in development projects and small business lending. These tax credits can also be combined with other federal state or local incentives such as the Low-Income Housing Tax Credit (LIHTC) to finance needed projects. Many banks have affiliated CDEs, as do MDIs and CDFIs. MDIs in particular have faced challenges competing for NMTC allocations in the recent past.

Best Practice 21: Banks could help expand opportunities for CDEs affiliated with MDIs by partnering with these CDEs through mentorship opportunities, deal partnerships and sub-allocations of tax credits. Banks should consider how they can work with CDEs affiliated with MDIs to ensure that those CDEs are participating more effectively in the NMTC program. This will benefit the communities served as well as the affiliate of the CDE, bolstering their NMTC track records and including these organizations in complex NMTC transactions, giving them a better chance to compete for NMTC allocations on their own. Such relationships which will create a virtuous cycle, positively affecting the financial resilience and performance of the affiliated MDI, which can help further the cause of increased investments in those underserved communities. This is a positive feedback loop and banks already working with MDIs or supporting them in some fashion should ideate about how to best structure a supportive partnership.

COMMUNITY REINVESTMENT ACT OPPORTUNITIES

COVID-19 and the global calls for racial justice have overlapped with potential Community Reinvestment Act (CRA) reform. CRA is an incredibly useful framework with significant room for improvement. Banks are exploring ways to maximize the benefits of their CRA engagements while concurrently assessing how the CRA requirements are evolving in an environment of increasing need and complexity. Banks are increasing engagement with CDFIs, MDIs and expanding NMTC participation as CRA eligible activities that also improve outcomes in disadvantaged communities.

Best Practice 22: Banks should explore expanding their CRA product sets as well as the relationships they have "on the ground" in underserved communities. Banks are increasing their outreach to new partners and providers to deliver CRA-related value. They should also consider including in this more diverse set of partners entities that focus on micro-businesses, particularly given the significant challenges associated with COVID-19 for these businesses. They should also consider exploring innovative approaches to providing capital through venture capital investments in funds that focus on supporting minority entrepreneurs. Banks should also explore how deeper engagements with minority chambers of commerce and other intermediaries to bolster their CRA ground game. Lastly, banks are refining how their CRA responsibilities can be optimized with social justice partnerships by expanding current activities into new subject matter and impact areas such as addressing equity in policing, health care, educational or job training outcomes. These outcomes can be achieved via non-traditional partnerships with social justice-focused non-profits and social enterprises that are focused on these particular issues.

Best Practice 23: Expand investments in Small Business Investment Companies (SBICs) initiatives. Banks should explore participation in the SBIC program if they are not doing so already.[25] This program is particularly relevant now, due to the devastating impact of COVID-19 on small businesses in Black communities. SBICs allow small businesses to access debt and equity capital and banks could build engagements with SBICs managed by Black Americans or those focused on expanding Black entrepreneurship.

Best Practice 24: Banks should leverage technology to expand their online financial literacy offerings. With a greater percentage of Americans becoming more comfortable with online learning as a result of the pandemic, banks have an opportunity to leverage online communications and outreach tools. In-person financial literacy programs could be replaced with expanded digital offerings and tools, potentially in partnership with community groups, businesses or other established organizations with scaled networks that focus on the delivery of these tools. Some banks have already partnered with firms that are building and deploying these tools. One bank has already partnered with a firm to deliver engaging and age-appropriate online financial education courses for K-12 students.

Asset Management and Sustainable Wealth Creation for All

Banks with investment advisory services could play an important role in helping more Black Americans acquire and maintain intergenerational wealth and helping social justice-minded investors identify investments and allocate resources accordingly.

Best Practice 25: With more clients asking for ESG investment options, banks should help identify "S" opportunities. While to date banks have largely focused on the environmental aspects of the growing ESG (Environmental, Social and Governance) investment asset class, many banks are now in the early stages of building investment strategies around the social dimension, readying tactics related to racial justice investing. Banks could help clients explore investing in companies with diverse management or workforces, firms that work to advance the cause of racial justice and divesting from firms that hinder it.[26] Some banks have internal ESG committees that are focused on meeting this emerging set of client demands in their investment management approaches, and this work should proceed expeditiously to meet the needs of this historic moment.

Best Practice 26: To reach more Black customers, banks should diversify the ranks of private bankers, financial advisors and salespeople. Banks should also target investments in funds run by firms with a diverse leadership workforce. Many banks' investment management operations are working with human resources' diversity recruiting teams to boost diversity in these key roles. Banks should bolster these efforts by forging deeper relationships with Historically Black Colleges and Universities and Minority Serving Institutions as well as national professional, fraternal and other diverse organizations. Banks should prioritize working with and investing in funds that are managed by diverse teams which will create a virtuous cycle by increasing the ranks of Black professionals as funds respond to the incentives provided by banks' interest in working with more diverse teams.

Best Practice 27: Banks should resource targeted marketing spending to reach new Black clients and retain the relationship for the long run. Like all customer segments, Black customers should be prioritized and made to feel important. Given the history of financial exclusion faced by Black communities, it stands to reason that more could be done to restore trust and make Black customers feel more valued and that Banks desire sustained business relationships with them. [27] Black Americans are well aware of the challenging nature of the relationship with banks and of the disparities that Black borrowers face. Bridging this gap will take targeted messages and sustained outreach because the lack of trust persists and is informed by events and data in the distant and recent past. [28] Banks should make it a priority to include Black Americans in their outreach efforts when seeking out new wealth management clients.

Regulatory Hurdles and Opportunities for Policy Advocacy

As previously noted, Black Americans continue to face impediments to capital access and, relatedly, have lower property values, [29] lower wealth levels, [30] lower incomes[31] and lower credit scores than their White American counterparts. [32] These conditions create tensions among competing regulatory goals of safety and soundness, fair lending, community development and financial inclusion. These tensions are exacerbated by the complexity of the regulatory regime that executes enforcement of laws and regulations across a number of agencies and supervisory teams, leading to significant challenges in expanding capital access at scale. Banks should engage Congress and their regulators in conversations about striking the proper balances to ensure that these frictions do not create unnecessary impediments to the appropriate deployment of capital.

Best Practice 28: Advocate for reconsideration of the role real estate appraisals play in community development lending. Banks face challenges supporting commercial neighborhood renewal efforts due, in part, to current regulatory standards that may be making it prohibitively difficult to lend to community developers that face low appraisal values for the properties they seek to use as collateral for loans. [33] As a result, large-scale renewal and reinvestment efforts are hampered, as the costs of improvements exceed the appraised value. [34] This situation also creates a disconnect and tension between potential expanded CRA activity and safety and soundness requirements. Banks should advocate for policymakers and regulators to resolve this in a way that addresses risk but permits needed investment in communities that have been left behind.

Best Practice 29: Consider the tensions related to a bank's lending activity qualifying for CRA credit while also complying with fair lending statutes and regs and advocate for clarification of the Equal Credit Opportunity Act (ECOA) Regulation B's "special purpose credit program." Banks need clearer regulatory guidance on how best to design special purpose credit programs, both to enable banks to increase use of these programs and to ensure that banks can design their programs to be ECOA compliant. Currently, while special purpose credit programs are permitted, clearer guidelines for how they may be used (including incorporating innovative technology, such as the use of alternative data to inform credit decisions) would be helpful. Further, streamlining how these programs are viewed by examiners across regulating agencies would be useful to mitigate varying views and interpretations regarding safety and soundness and consumer protection considerations. It may also be useful to have regulators align CRA lending and Fair Lending obligations to ensure that banks are better able to support expanded economic development in these communities. Banks should remind policymakers of these tensions to ensure that targeted and meaningful programs (such as the special credit programs) optimize access to capital for Black Americans, businesses and communities.

Best Practice 30: Banks should ask regulators to clarify rules regarding AI and machine learning tools in credit underwriting. Currently, banks generally are required to base credit decisions on a FICO score, which comes with significant disparate impact, as FICO scores reward those who have already obtained credit and managed it well. Millions of Black Americans, including immigrants, don't even have a credit score, much less a good one. Considering other factors such as deposit behavior offers the opportunity to expand credit availability significantly, but the current regulatory and examination regime, and fear of enforcement action, has significantly deterred banks from adopting new technology. Meanwhile, non-bank financial technology firms that are not subject to regular examination are already leveraging powerful data science and machine learning tools to analyze non-traditional data inputs to refine underwriting decisions expanding the universe of potential borrowers, including low-income and minority borrowers.[35] Banks should engage regulators, particularly the CFPB, in a conversation about these issues to explore how clarity could help drive improved outcomes for Black borrowers.

Endnotes

[1] Report on the Economic Well-Being of U.S. Households in 2019, Featuring Supplemental Data from April 2020

[2] Sven Beckert and Seth Rockman, *Slavery's Capital, at 17. (2016).*

[3] S.A. Murphy, *Banking on Slavery in the Antebellum South, at 2. (2017).*

[4] After the Civil War, in 1865, Congress established the Freedman's Bank as part of the Freedman's Bureau in an attempt to expand credit availability to newly freed slaves. However, due in large part to self-dealing by a corrupt businessman who served on the board, it ultimately failed. See: http://freedmansbank.org/

[5] See: https://nces.ed.gov/pubs98/yi/yi16.pdf

[6] https://www.mckinsey.com/industries/financial-services/our-insights/how-covid-19-has-impacted-black-white-financial-inequality?cid=eml-app

[7] https://www.ssa.gov/policy/docs/ssb/v70n4/v70n4p49.html

[8] Congress established the Home Owners' Loan Corporation to refinance American mortgages during the Great Depression in 1933. See: https://www.mckinsey.com/industries/financial-services/our-insights/how-covid-19-has-impacted-black-white-financial-inequality?cid=eml-app . As a part of its duties the HOLC drew maps for more than 200 American cities to "document the relative riskiness of lending across neighborhoods." These maps became the foundation for private sector red-lining.

[9] Federal Reserve Bank of Chicago, *The Effects of the 1930s HOLC "Redlining" Maps.* 2019.

[10] Federal Reserve Bank of St. Louis, *Differences in Subprime Loan Pricing Across Races and Neighborhoods*. 2011.

[11] https://libertystreeteconomics.newyorkfed.org/2020/07/inequality-in-us-homeownership-rates-by-race-and-ethnicity.html

[12] https://fred.stlouisfed.org/graph/?g=houW

[13] https://www.mckinsey.com/industries/financial-services/our-insights/how-covid-19-has-impacted-black-white-financial-inequality?cid=other-eml-alt-mip-mck&hlkid=db404f62d56b430b92f604cad43d1cc1&hctky=11275407&hdpid=afdf31ff-9ba9-4fea-9d05-fecff7ea3c5a

[14] https://www.americanbanker.com/news/diversity-chiefs-gain-prominence-as-banks-confront-racial-inequality?position=editorial_1&campaignname=AB_Daily_DailyBriefing_FULL_ROLLOUT-08102020&utm_source=newsletter&utm_medium=email&utm_campaign=AB_Daily_DailyBriefing_FULL_ROLLOUT%2B%27-%27%2B08102020&bt_ee=FdKSgyrGqfgm2nkaZDEmT4uhJgULHSgB3g%2FNclyQOhPYfA29tVr%2FBK0d1mdx4n00&bt_ts=1597053666608

[15] https://www.nbcnews.com/news/sports/nba-foundation-created-pledges-300-million-black-growth-n1235984

[16] See: *See* OCC, Federal Reserve, FDIC and NCUA, *Joint Guidance on Overdraft Protection Programs*, 70 Federal Register 9127, 9129 (Feb. 24, 2005).

[17] **See:** https://institute.jpmorganchase.com/institute/research/household-income-spending/report-weathering-volatility-2-a-monthly-stress-test-to-guide-saving.

[18] https://bpi.com/press-releases/banks-receive-go-ahead-to-meet-consumer-small-dollar-lending-needs/

[19] https://bpi.com/notes-papers-presentations/a-new-path-to-offering-small-dollar-loans/

[20] https://www.fdic.gov/householdsurvey/

[21] https://joinbankon.org/

[22] https://www.fdic.gov/regulations/resources/minority/mdi.html

[23] https://www.fdic.gov/householdsurvey/

[24] https://www.nytimes.com/interactive/2020/06/18/us/coronavirus-black-owned-small-business.html

[25] https://www.sbia.org/sbic-faq/

[26] https://go.glenmede.com/racial-equity?utm_source=matarin-capital&utm_medium=email&utm_campaign=rei

[27] https://fortune.com/2020/06/19/banking-while-black-financial-discrimination-redlining/

[28] https://www.reuters.com/article/us-usa-banks-race/african-americans-underserved-by-u-s-banks-study-idUSKCN1V3081

[29] https://www.brookings.edu/research/devaluation-of-assets-in-black-neighborhoods/

[30] https://www.clevelandfed.org/newsroom-and-events/publications/economic-commentary/2019-economic-commentaries/ec-201903-what-is-behind-the-persistence-of-the-racial-wealth-gap.aspx

[31] http://www.frbsf.org/economic-research/files/el2017-26.pdf

[32] https://www.urban.org/urban-wire/credit-scores-perpetuate-racial-disparities-even-americas-most-prosperous-cities

[33] https://www.occ.treas.gov/topics/supervision-and-examination/credit/commercial-credit/appraisals.html

[34] https://www.bloomberg.com/news/articles/2020-05-13/why-it-s-so-hard-to-invest-in-black-neighborhoods?sref=TuL4o97M

[35] https://bpi.com/artificial-intelligence-recommendations-for-principled-modernization-of-the-regulatory-framework/

Testimony of Donald R. Cravins, Jr. before the U.S House Financial Services Committee, Subcommittee on Diversity & Inclusion

"The Legacy of George Floyd: An Examination of Financial Services Industry Commitments to Economic and Racial Justice"

Good afternoon Chair Joyce Beatty, Ranking Member Ann Wagner, and members of the Committee. I am Donald R. Cravins, Jr. and I serve as the Executive Vice President of the National Urban League. On behalf of my President and CEO, Marc Morial, and the entire Urban League Movement which consists of 91 affiliates in 36 states and the District of Columbia, I thank you for convening this hearing and it is indeed an honor be with you today on this important topic.

The National Urban League is a historic civil rights organization dedicated to economic empowerment, equity, and social justice. Founded in 1910 as a result of the Great Migration of African Americans to the North, the Urban League collaborates at the national and local levels with community leaders, policymakers, and corporate partners to elevate the standards of living for African Americans and other historically underserved groups. We work each day to enable and empower African Americans and others in underserved communities to achieve their highest human potential and to secure economic self-reliance, parity, power, and civil rights. We do that by focusing primarily on 4 areas - education, health and quality of life, jobs, and housing.

Pertinent to this Committee and the work you do, the National Urban League has specific programs designed to foster:

- Financial Literacy
- Homeownership

- Small Business Financing
- Small Business Contracting and Counseling
- Home Foreclosure Prevention
- Workforce Skills Development

These programs and services touch nearly 2 million Americans each year. Last year, amid the worst pandemic this country has seen in more than 100 years, we provided 80,000 people with housing counseling assistance. We also helped 45,000 people buy or keep their homes. We conducted 35 job fairs across the U.S. and have helped over 850,000 Americans find jobs and start businesses.

The National Urban League has been doing this work for nearly 111 years. This work has been funded through a combination of sweat equity, individual donations, federal and state government grants, and corporate philanthropy. We are not new to these issues or this work, nor are we new to receiving funding and resources to help those individuals and communities that need it most.

It is true that after the killing of George Floyd and other incidents of racism, organizations across the financial services industry made public pledges to invest in people and communities of color, including the National Urban League. We were encouraged to see some banks promise to support minority depository institutions and community development financial institutions, especially those assisting African American communities. We also witnessed contributions made by nonbank FinTechs, a more nascent sector of the financial services landscape but one that emerged as a viable funding option as well.

The National Urban League was and remains encouraged to see some financial institutions provide relief and assistance to potential African American homeowners as a step towards closing the racial wealth gap. Lastly and equally important, the National Urban League was encouraged by the spotlight placed on African American owned businesses in this country. As you know, all small businesses were negatively impacted by the COVID-19 pandemic, however African American owned businesses were disproportionately impacted and continue to struggle with recovery.

It is important that financial institutions of all kinds, depository and non-depository alike recognize the responsibilities they have to all American communities, especially those that have been traditionally and, in some cases, institutionally disadvantaged from an access perspective. The delivery of financial services rests on a compact with financial institutions, the government, and the public therefore the National Urban League supports policy discussions to ensure that lenders and financial services providers of all kinds recognize the need to support community investments and lending.

During the past 18 months or so, many financial institutions turned to the National Urban League and our network of affiliates to address these issues and inequities. This was done through financial and resource support. Based on previous and longstanding partnerships, for some financial institutions this was a continuation of support for the work we do. For others, this was the beginning of a new partnership and we have been working to incorporate these new partners into the work we do.

Although we are thankful for the commitments and are hopeful real impact will be made and felt in the communities we serve, what we are most hopeful about is that

these commitments will symbolize the ending of corporate philanthropic redlining. To truly address the systematic issues in this country, we must change the institutions of this country. Corporations are institutions. It is our hope that 3 years from now, we can provide evidence these commitments were met, and real change has resulted. The fact today remains there is still real work to do and the resources that have been pledged, alone, cannot remedy centuries of inequities and disparities.

For 45 years, the National Urban League has published the State of Black America Report detailing the disparities that continue to stand in the way of the African Americans.[1] Also, the House Joint Economic Committee published its report entitled the "The Economic State of Black America in 2020."[2] Both reports detail that despite significant economic progress over the past decades, African Americans experience far worse economic conditions than Whites or the American population as a whole. Very deep social and economic inequities persist. Many Americans are poorly aware of the magnitude of these entrenched problems. African Americans experience recession-like conditions even in an economy in which others thrive, and these conditions were only exacerbated during this pandemic.

The unemployment rate for African Americans has been and continues to remain approximately twice the rate for Whites. The typical African American household earns a fraction of White households - just 59 cents for every dollar. The median wealth of African American families is $17,000 which is less than one-tenth that of White families - $171,000. Only 42% of African American families own their homes, compared to 73% of

[1] https://soba.iamempowered.com/2020-executive-summary
[2] https://www.jec.senate.gov/public/_cache/files/ccf4dbe2-810a-44f8-b3e7-14f7e5143ba6/economic-state-of-black-america-2020.pdf

White families. As recently as 2004, more than 48% of African American families were homeowners. Homeownership rates are stagnant among all African American households and are falling for African American millennials.

African Americans struggle to obtain mortgages, consumer loans and even credit cards. More than 1 in 4 African Americans do not have a credit score, and 17% do not have traditional bank accounts. African Americans also face significant challenges in other areas that affect the quality of life and overall prosperity.

How did America get here? A June 19, 2019, Washington Post article by Professor Calvin Schermerhorn entitled, "*Why the racial wealth gap persists, more than 150 years after emancipation*" presents a dim history lesson of the economic plight of African Americans.[3] After emancipation from Slavery, the nation industrialized between the 1870's and the 1910's, but instead of vanishing, the disadvantages confronting African Americans simply morphed. Slavery was simply replaced by sharecropping. The successes and advancements for African Americans during Reconstruction were intentionally and often violently erased by disenfranchisement and legal discrimination, or Jim Crow.[4]

When African Americans began moving into northern industrial cities during the 1920's, they faced surcharges on opportunities — high rents and new forms of prejudice. African Americans who moved to the North to flee Jim Crow were met with

[3] https://www.washingtonpost.com/outlook/2019/06/19/why-racial-wealth-gap-persists-more-than-years-after-emancipation/

[4] The advancements of African Americans during Reconstruction and the subsequent effects of Jim Crow were detailed by Congressman George H. White in his farewell address to Congress on January 29, 1901. http://www.edchange.org/multicultural/speeches/george_white_farewell.html

marginal neighborhoods where landlords gouged them because of a lack of access to alternatives. It is because of these conditions, organizations like the National Urban League were formed.

And although African Americans thought they were leaving Jim Crow behind in the South, little did they know, it followed them to the North and reared its ugly, "American Dream killing" head there as well. It surfaced in federal housing and social policies. Further, Southern politicians ensured that the New Deal would not work for African Americans.

As detailed by Professor Schermerhorn, African Americans seeking home loans found themselves redlined — ineligible for credit — because the government would not guarantee the loans. As a result of these and other discriminatory practices, African Americans were unable to establish housing equity which makes up about two-thirds of median household wealth. These practices locked out most African American families and created permanent wealth disparities.

Reforms such as Social Security were unavailable to farm and domestic workers, many of whom were African American. After men like my grandfather, Antoine Arceneaux, returned from World War II looking forward to the benefits of the GI Bill, he and fellow African American servicemen were met with sham benefits and segregated universities. Although the GI Bill created a middle class for White Americans, African Americans could not share in this economic empowerment.

As these discriminatory policies continued in the decades to follow and as the mass incarceration of African Americans began, the economic toll was devasting to

African American families. This created the persistent wealth gap we read about and live with in this country.

So, when it comes to economics and the work of financial institutions, there is much work to be done. The commitments made since George Floyd's murder are a start. However, the organizations best suited to assist financial institutions with addressing these issues have traditionally been underfunded. No organization can change these century old disparities in one year. So, I am hopeful this Committee will continue to assess these commitments, encourage consistency, and continue to shine a bright light on the disparities and inequities continuing to plague this nation and make us less competitive.

Lastly, I want to pose a rhetorical question to the committee, what does a real commitment to equity look like? We at the National Urban League believe that financial institutional change cannot be a nebulous concept. Equity cannot be fully achieved by financial institutions simply donating money to external partners and relying on them to change the world, minds, and hearts. Financial institutions must also look inward and ensure their own systems create inclusive places to work and with which to do business. This is not only morally the right thing to do, but it is also good for business. Best-in-class organizations recognize diversity, equity, and inclusion as a prudent business practice, providing a competitive advantage with wide-ranging benefits for the company and its various stakeholder groups and providing a better return on investment than those without diversity. A diverse employee base and team generates better ideas, bring more knowledge, perspectives, and experience; enabling them to appeal to an

increasingly global customer base and better compete in a highly competitive global marketplace.

I am proud to say some institutions have approached the National Urban League for these types of services as well. Whether it be unconscious bias training or providing diversity, equity, and inclusion products or services, the National Urban League is also assisting some financial institutions with best practices. Our message to our corporate clients is simple, if you want real change, if you desire a real commitment to equity, then you must be transparent and be willing to set an example. Otherwise, you are only partially committed to equity – window dressing. Financial firms have an opportunity to be at the forefront of bringing scaled positive change because of the nature of their business models. The National Urban League is a strong partner to them as it is to federal, state, and local governments and organizations of all kinds looking to support broader financial inclusion. We have an opportunity to row in the same direction and combine these accelerated levels of interest with long term and sustainable capital investment, especially in businesses that can take that investment and make more investments. For those that are serious about this work we stand ready to assist.

Thank you for your time today and allowing me to testify on this important topic. I am open to any questions the committee may have.

Written Testimony of Darrick Hamilton

Submitted for:
The FSC Subcommittee on Diversity and Inclusion Hybrid Hearing entitled "The Legacy of George Floyd: An Examination of Financial Services Industry Commitments to Economic and Racial Justice" @ 3:00pm ET on June 29, 2021

I am Darrick Hamilton, Henry Cohen Professor of Economics and Urban Policy and University Professor at The New School and Director of the Institute on Race and Political Economy.

The fact that George Floyd could be killed in broad daylight by law enforcement for over an 8-minute period with a knee on his neck while screaming for mercy that he couldn't breathe has to be the result of a devaluation of his life because he's black. After repeated examples of similar killings, this is vivid, and should, at least by now, be undisputed.

The summer of 2020 consisted of a wave of protests in response to the unjust killing of Black people by law enforcement, not seen since the Civil Rights Era of the 1950s and "60s and a global pandemic in which the Black mortality rate was more than double the White rate and in which 45% (nearly half) of Black-owned businesses closed. That the impact of a global pandemic, however catastrophic, can be so linked to one's racial identity is highly problematic –

This links to a larger political and economic vulnerability, whether we're in a pandemic or not: the immoral devaluation of Black lives has been ingrained in America's political economy and is long overdue for a reckoning.

So, as a nation, are we finally ready to reverse our enduring and immoral blight of racism by redefining *economic good* to embrace the principles of morality, humanity, and sustainability - a *patriotic* pathway to promote our shared prosperity and achieve racial and economic justice?

Government has a fiduciary responsibility to facilitate economic inclusion, civic engagement, social equity **for all its people.**

All policies and government actions are rooted in "norms," especially related to production, transaction, and distribution. Government should promote diversity, inclusion, and belonging in all aspects of civics and political economy simply because it is just and the right thing to do.

To achieve this, **w**e need a deeper understanding of how devaluing individuals based on social identities, like race, gender, and sexual orientation, relate to political notions of "undeserving" versus "deserving." This is essential to expand knowledge beyond conceptions of individual transactions into workings of larger political economy structures that affect us all. This requires innovative ideas and inquiries, which are enhanced by the inclusion of people from diverse backgrounds, especially if we are going to get beyond the rut of an economy characterized by growing inequality and despair over the last 50 years.

Our current economic system is founded upon values of self-interest, accumulation without bounds, greed, and exploitation. But our economy should be grounded in different values – values of economic inclusion, civic engagement, social equity, human dignity, sustainability, and shared prosperity.

Our enormous and persistent racial wealth gap **is** an implicit measure of our racist past rooted in a history in which White Americans have been privileged by government political and economic interventions that have afforded them access to resources and iterative and intergenerational accumulation.

This is in contrast to history for Black (and Indigenous) Americans, where their personhood and whatever capital they may have established has always been vulnerable to exploitation and extrapolating by ***state complicit*** confiscation**,** destruction**,** fraud, theft, terror, and other acts of violence.

As a result, Blacks, as a group, have little ownership in America's land and means of production and remain in fear of violence, incarceration, and state-facilitated exploitation.

Still, much of the framing of the racial wealth gap focuses on the poor financial choices and decision-making on the part of, largely, black, Latinx, and poor borrowers.

This framing is wrong – *the directional emphasis is wrong* – it is more likely that meager economic circumstance – not poor decision making or deficient

knowledge – *constrains choice itself* and leaves poor borrowers with little to no financial options but to attain and use predatory and abusive financial services.

These "last resort" debt traps render recipients of these predatory products modern-day **"indentured borrowers."**

What's more, high achieving black Americans, as measured by education, still exhibit large economic disparities relative to their white peers.

We **overstate** the functional role of education to the detriment of **understanding** the functional role of wealth and power.

However, our contemporary political economy **radically** situates a proverbial "market" as a great efficient, self-regulating, **color-blind arbiter** of our worth and solution **for all our problems**, economic or otherwise.

Under this ideology, government interventions to promote social mobility are deemed inefficient and counterproductive – public provisioning to help the working class were purported to distort (or, worse, incentivize unproductive behaviors) that would deter from "productive" market behaviors.

Racial Inequality and despair are not inevitable; rather, they are the result of political choices. Likewise, we can make different political choices.

To achieve racial justice, we need an honest and sobering confession of our historical sins for slavery – a point in American history in which blacks were literally the capital assets for a white landowning plantation class – and for sharecropping, "whitecapping," Jim Crow, & the exclusion of blacks from the New Deal and postwar policies that built an asset-based white middle class

Financial Services

In their 2015 book, *Phishing for Phools* (2015), Nobel Laureate economists George Akerlof and Robert Shiller critique the "greater good" presumption from a market transaction by describing how the profit motive creates incentives, *especially in*

the financial services industry, for sellers to *manipulate* consumers to purchase products whether or not they are useful to the consumer.

To address this moral hazard, which is a downturn of a business cycle that puts our economy at risk of financial collapse, Akerlof and Schiller recommend enhanced consumer knowledge and greater regulation.

We should go further: the public sector should be a direct provider of basic accounts and finance more broadly.

The sad irony is that those that can least afford finance in times of dire need end up paying the most for finance.

Households with few assets and low incomes are **compelled** to turn to high cost unconventional alternative financial products. They generally are aware that these products are predatory, but they have *no alternatives*.

These "last resort" debt traps render recipients **"indentured borrowers,"** having to pay higher and higher interest and fees until, ultimately, they default on the original principal.

Congress needs to provide "public options" that directly compete with and crowd-out inferior "private options" that do not ensure a universal and quality health care, housing, schooling, financial services, capital, and free mobility without the physiological (and physical) threat of detention or bodily harm at the hands of state-sanctioned terror because someone's social identity is linked to a vulnerable and stigmatized group.

We need to reject the empirically unsubstantiated rhetoric that ignorance, so-called grit, and personal responsibility are the sources of inequality. And the accompanying attempts by the government coerce or incentivizes insinuated "defective people" to behave accordingly and make a better decision.

Inequality is not rooted in deficient people but rather deficient resources and power allocation.

Let's change the paradigm; let's be bold and advocate for programs and initiatives, that truly empower people with economic security, dignity, and "authentic" agency to define and achieve their goals.

Thank you for your time.

PREPARED STATEMENT OF JONAY FOSTER HOLKINS
SENIOR DIRECTOR OF POLICY, RACIAL EQUITY AND JUSTICE
BUSINESS ROUNDTABLE

The Legacy of George Floyd: An Examination of Financial Services Industry Commitments to Economic and Racial Justice

Before the U.S. HOUSE OF REPRESENTATIVES COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON DIVERSITY AND INCLUSION

June 29, 2021

Good afternoon, Chairwoman Beatty, Ranking Member Wagner and members of the U.S. House Financial Services Subcommittee on Diversity and Inclusion. Thank you for the opportunity to testify before the Subcommittee today and for holding this important hearing to examine corporate commitments to economic and racial justice.

Business Roundtable is an association of 231 Chief Executive Officers (CEOs) of America's leading companies working to promote a thriving U.S. economy and to expand opportunity for all Americans. These CEO members lead companies that employ more than 20 million people, and our companies have over half a million small business suppliers.

In my role, I am responsible for overseeing the Roundtable's racial equity and justice policy agenda. Just a few months ago, I was serving as judiciary counsel for Congressman David Cicilline. Prior to that, I was a senior litigation associate at a D.C. law firm representing community health centers, Head Start programs, and other federal grantees and safety net providers across the country. I joined Business Roundtable in April because I believe in the CEOs' commitment to ensure the business community is part of the solution to address racial equity.

As a CEO organization that represents almost all sectors of the economy, Business Roundtable is uniquely positioned to take action to bring about real change for communities of color and work toward advancing racial equity. Here are a few examples of how our member companies are acting:

- Over the past year, PayPal has invested $510 million toward racial and economic justice. This includes $15 million in PayPal Empowerment grants that were distributed directly to approximately 1,400 Black-owned businesses. Of the small businesses receiving grants, 62% of the recipients were women and 53% were sole proprietors.[1]

[1] PayPal, *Taking Action for Racial Equity and Social Justice*, https://about.pypl.com/values-in-action/advancing-social-justice/taking-action-for-racial-equity-and-social-justice/default.aspx#black-owned-tab

- Cummins solidified agreements with Community Development Financial Institutions (CDFIs) and non-profit charitable organizations and municipal partners to distribute $3 million in aid to Black-owned businesses focusing on four cities.[2]

- Prudential made a $10 million contribution to the Financial Solutions Lab, a new initiative by the Financial Health Network, a nonprofit organization that brings together diverse industry innovators to remove barriers to financial wellness, specifically in underserved markets.[3]

- MassMutual provided Healing Racism Institute of Pioneer Valley with a $300,000 grant, serving as lead gift for the launch of a $1 million three-year capital fund drive for the Institute. The company also made a $500,000 contribution to the Urban League of Springfield. That investment will be used to further support the Urban League's ongoing work to establish equality in education and promote economic advancement for the African American and Black community throughout Greater Springfield.[4]

- Duke Energy deposited $5 million into Optus Bank, a Black-owned bank (MDI and CDFI) based in South Carolina, furthering the company's support for diverse and minority-owned businesses.[5]

Members of this Committee and of the Congressional Black Caucus have helped to urge corporate America to take action and prioritize diversity, equity and inclusion. We are grateful for the partnership. That work took on new urgency in 2020, which was a year of reckoning for America. In response to the murder of George Floyd, Business Roundtable CEOs consulted with experts from across the ideological spectrum to understand the key policy considerations around policing reform. We then released a set of policing reform principles and have continued to press publicly for members of both parties to come together around reforms to ensure equity in law enforcement.

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[2] Cummins, *Local Black-Owned Small Businesses Receive Grant From Cummins*, (Mar. 9, 2021), https://www.cummins.com/news/releases/2021/03/09/local-black-owned-small-businesses-receive-grant-cummins

[3] Ron Varrial, *Prudential's $10 Million Contribution Continues Work to Close Racial Wealth Gap* (June 30, 2020), https://news.prudential.com/prudentials-10-million-contribution-continues-work-to-close-racial-wealth-gap.htm

[4] MassMutual, *Healing Racism Institute Of Pioneer Valley Receives $300,000 Grant From The Massmutual Foundation* (April, 28, 2021), https://www.massmutual.com/about-us/news-and-press-releases/press-releases/2021/04/healing-racism-institute-of-pioneer-valley-receives-300000-grant-from-the-massmutual-foundation; MassMutual, *The Urban League of Springfield to Use Half Million Dollar Contribution From Massmutual to Impact the Livelihood of Local Citizens* (June 19, 2020), https://www.massmutual.com/about-us/news-and-press-releases/press-releases/2020/06/the-urban-league-of-springfield-to-use-half-million-dollar-contribution-from-massmutual-to-impact-the-livelihood-of-local-citizens

[5] Duke Energy, *Duke Energy Establishes Relationship With Optus Bank To Support Minority-Owned Businesses,* (Jan. 14, 2021), https://news.duke-energy.com/releases/duke-energy-establishes-relationship-with-optus-bank-to-support-minority-owned-businesses

Our members then turned to an issue central to fairness and equity in our economy, the racial wealth gap. Business Roundtable recognizes that the racial wealth gap, is a product of hundreds of years of policies and practices that have denied economic opportunity to Black Americans. Over time, harmful policies and practices have led to significant disparities:

- In 2019, the typical White family held eight times the wealth of the typical Black family and five times the wealth of the typical Hispanic family.[6]

- In 2019, the average Black and Latino families, respectively have approximately fourteen cents and seventeen cents for every one dollar in wealth held by White families.[7]

- A 2016 report found that Black college graduates, on average, owe $52,726 in student debt while the average white college graduates owe $28,006.[8]

- Black and Latino families are five times less likely to receive large gifts and inheritances and are less likely to have emergency savings than White counterparts.[9]

- There are 8.4 million unbanked and 11.4 million underbanked households in the United States. Seventeen percent of Black households and fourteen percent of Latino households are unbanked versus 3 percent of White households. Eighteen percent of Black households and fifteen percent of Latino households remain underbanked versus six percent of White households.[10]

- Twenty nine percent of Black small-business owners receive loan approvals from large banks in comparison to sixty percent and fifty percent for White and Latino owners, respectively.[11]

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[6] Neil Bhutta, Andrew C. Chang, Lisa J. Dettling, and Joanne W. Hsu, *Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances*, Federal Reserve (Sept. 28, 2020), https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.htm

[7] *Id.* ("In the 2019 survey, White families have the highest level of both median and mean family wealth: $188,200 and $983,400, respectively (Figure 1). Black and Hispanic families have considerably less wealth than White families. Black families' median and mean wealth is less than 15 percent that of White families, at $24,100 and $142,500, respectively. Hispanic families' median and mean wealth is $36,100 and $165,500, respectively.")

[8] Judith Scott-Clayton and Jing Li, *Black-white disparity in student loan debt more than triples after graduation*, Brookings Institution: Economic Studies (Oct. 20, 2016), https://www.brookings.edu/wp-content/uploads/2016/10/es_20161020_scott-clayton_evidence_speaks.pdf.

[9] Signe-Mary McKernan, Caroline Ratcliffe, Margaret Simms, and Sisi Zhang, *Do Financial Support and Inheritance Contribute to the Racial Wealth Gap?* (Sept. 6, 2012), https://www.urban.org/research/publication/do-financial-support-and-inheritance-contribute-racial-wealth-gap

[10] Federal Deposit Insurance Corporation, *2017: FDIC National Survey of Unbanked and Underbanked Households* (October 2018), https://www.fdic.gov/householdsurvey/2017/2017report.pdf

[11] André Dua, Deepa Mahajan, Ingrid Millán, and Shelley Stewart, *COVID-19's Effect on Minority Owned Small Businesses in the United States* (May 27, 2020), https://www.mckinsey.com/industries/public-and-social-sector/our-insights/covid-19s-effect-on-minority-owned-small-businesses-in-the-united-states.

To understand corporate America's role in addressing the racial wealth gap, we engaged in hundreds of conversations with experts, including fellow panelist Darrick Hamilton, as well as Marc Morial and Cy Richardson at the National Urban League. That process was focused on listening and gathering information, with the goal of identifying areas where corporate America could make a real difference. This process culminated in the Business Roundtable's Special Committee on Racial Equity and Justice which released of a set of corporate actions and public policy recommendations focused on six key areas: employment, finance, education, health, housing and justice.

Since that announcement on October 15, 2020, Business Roundtable member companies have been taking important steps to advance racial economic equality in areas like affordable housing, support for community-based financial institutions, affordable lending and minority-owned small business support.

We are tracking progress toward reaching the Roundtable's pledges, assessing what resources have been distributed toward the commitments and, over time, understanding the impact of member company contributions on communities of color. Based on our initial tracking efforts, Business Roundtable member companies have committed to providing over $1.8 billion in grants and low-cost debt to Community Development Financial Institutions (CDFIs) that are Black or Latino-led or are serving Black or Latino communities by 2025. Our member companies are also on track to reach a Roundtable-wide goal of $600 million to Minority Depository Institutions (MDIs) by 2025.

Additionally, Business Roundtable members have directed their efforts to providing support for small businesses by making financial contributions to funds focused on minority-owned small businesses. To date, Business Roundtable member companies have committed to providing over $5 billion to minority-owned small businesses via capital, grants, low-cost debt and technical assistance, including focused investments in historically underserved and undercapitalized communities.

To help Americans of color attain financial security, Business Roundtable member companies are committed to developing and adopting product innovations to support building credit and moving individuals from credit invisible to credit scorable. Our member companies have also taken stock of their internal affairs and have endorsed and implemented financial wellness programs. For example, in 2018, PayPal assessed the financial wellness of their employees and found that many of their employees had a difficult time paying their bills every month. That member company took immediate action by raising pay for their hourly and entry-level employees and offering financial counseling programs. Since PayPal's initial financial wellness assessment, it continues to evaluate pay on a regular basis for all employees.

Our member companies that are financial institutions are committed to reaching more unbanked and underbanked Black and Latino households by offering and promoting low- and no-cost bank products, including checking and savings accounts. Business Roundtable member companies also understand that affordable housing is critical to financial security, which is why

member companies have set a goal of $30 billion to build 200,000 affordable housing units by 2025. To date, Business Roundtable members have committed nearly $23 billion toward their goal of building affordable housing units. We are continuing to track pledges, as well as progress toward reaching this goal.

In addition, under the leadership of Alex Gorsky of Johnson and Johnson, Business Roundtable members have engaged in efforts to provide greater transparency around their progress in creating a more diverse workplace. CEOs endorsed voluntary public disclosure of key diversity metrics on at least an annual basis, including board, senior executive, workforce and supplier diversity. In an effort to increase diversity, our members also have corporate partnerships with community organizations and Historically Black Colleges and Universities (HBCUs). We are excited to provide more details on our partnership with HBCUs in the coming weeks.

CEOs have also endorsed implementing processes to close the pay equity gap and conduct periodic pay equity reviews and analysis. Based on Business Roundtable's preliminary 2021 stakeholder survey results of 125 members, 88.5% of member company respondents have conducted a pay equity review in the past 3 years and plan to undertake a pay equity review in the next 3 years.

Business Roundtable members also understand the importance of evaluating their recruitment, hiring and promotion practices. Over 80 Business Roundtable companies have participated in a new multi-year effort to reform their hiring and talent management practices to emphasize the value of skills.

Additionally, Business Roundtable, through its Workforce Partnership Initiative, has partnered with community colleges, colleges and universities, and private training providers so that employers can help ensure that workers are prepared for high-demand occupations and that on-the-job training and mentoring are available to underrepresented populations. The Workforce Partnership Initiative has expanded to focus on underrepresented workers by bringing companies and education and training providers together to train and recruit workers for high-demand careers by providing internships, apprenticeships and full-time employment opportunities.

Our members know one year of commitments cannot undo the centuries of harm done to Black Americans and other people of color. There is much more that needs to be done to effectively address the racial wealth gap and other inequities faced by communities of color. But our members are committed to making progress and welcome the work and partnership of this Committee to advance our shared goal of securing equity and opportunity for all Americans.

Thank you for the opportunity to serve as a witness before the Subcommittee. I look forward to your questions.

House of Representatives Subcommittee testimony **June 29, 2021**

Purpose of testimony

After the killing of George Floyd and countless other incidents of racism and police brutality that led to the death of George Floyd and 163 other Black men and women from January through August of 2020, organizations across the financial services industry made pledges to invest in people and communities of color. For instance, banks promised to support minority depository institutions and community development financial institutions, especially those that assist Black communities, as well as to provide down payment assistance to potential Black homeowners as a step towards closing the racial wealth gap. Witnesses should discuss the extent to which banks, publicly traded companies and others in the financial services industry have made good on their promises to Black communities and businesses, as well as the steps they have taken towards achieving sustainable racial equity within their organizations.

Witness testimony

My name is Hassan Miah, CEO and Founder of Paybby Corp. We are a financial technology company or "Fintech" focused on the empowerment of the Black and Brown community. The company was founded in August 2020 in the wake of the death of George Floyd. Over the past few months, we have met with several of the largest banks including Black-owned Banks in the country. Our observations include the following: major banks have announced large financial commitments to the Black community and Black banks and MDIs have announced investments from the big banks. This is applauded. However, the scale of the announced commitments is far larger than the actual investments. There is no tangible evidence that the announced commitments have resulted in actual incremental support to the Black community. The biggest concern is the lack of Key Performance Indicators (KPIs) that show accountability of announcements to results. Also, the approach and types of commitments taken by the banking industry is unlikely to make a difference.

The financial services industry includes the private equity and venture capital (VC) industries that account for a large share of the capital used to finance businesses and support financial inclusion and economic improvement in the Black community. According to recent reports, Black entrepreneurs receive only about one percent (1%) of VC investment. This has not changed. The VC industry has made several investments in the last year supporting new Black founder funds. However, the scale is miniscule relative to the industry and not of any material significance. Related to Fintech investment, there is little to no support from the investment community. Private equity and venture capital backed Fintech is the fastest growing category of alternative banking and lending in the country. The lack of support to Black-owned businesses will only increase the gap in racial equity. Many of these non-minority backed Fintechs target the Black community, but their business models are not designed to support racial equity and often result in more income and wealth extraction from the community. For example, tax advantaged, private equity firms are making investments in buying residential housing to be made available to rent. This will "crowd-out" the supply the housing and reduce the opportunity for the Black community to achieve home ownership, the biggest contributor to wealth creation. Private equity largely receives it capital from

government and private pension funds, of which the Black community is a capital supplier. Therefore, the lack of investment in Black businesses and Black entrepreneurs actually results in transfers of wealth from the Black community to the other communities.

The approach taken by Banks and corporations to support Black Banks and MDIs can only have limited impact. Black MDIs total aggregated assets is approximately $10 Billion, compared to total US banking assets of $20 Trillion. Given their limited size and smaller geographic focus, they are simply incapable of addressing the racial equity gaps. Fintechs are creating a transformation of banking and financial services, and similar to other industries, tech-driven companies are designed to scale and efficiently build new models to support the market. Traditional companies and banks generally do not have the skills or focus to manage the change to a tech-driven economy. There are several small community banks that have become "Fintech" banks by offering a platform for companies to offer financial services as a technology company. There is not a single Black Bank in this category.

As a regulator of banking, the federal government can play a significant role in addressing these issues. The CRA regulations need to be adjusted to give more incentive to major banks to make a material change in their behavior to support the Black and Brown community. Metrics of capital recirculation should be established and monitored. Also, many of the Fintechs are applying for banking charters. These are exclusively going to non-minority owned companies that suggests that there will be limited support for underserved communities of color.

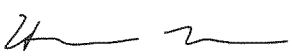
For the banking industry, the keys to closing the racial wealth gap and support racial equity is greater direct investment, recirculation of capital and a reduction of the excessive banking costs incurred in the Black community. The spending power of the Black community is over $1.3 Trillion and approximately $4 Trillion for the Black and Brown community. Only about 2% of spending by the Black and Brown community is retained by the community. The major banks and corporations gain significant profits from the exploitation of these communities. Banks and the investment community need to be held accountable for results on a regular and ongoing basis. Similarly, the federal government needs to improve access to financial services to support the growth of affordable banking, reduce excessive fees and support fair lending. Outside of the US, where large, formerly poorer nations are gaining access to banking, new KYC and alternative credit scoring systems are being developed that are as reliable as anything in the US. Yet, this does not exist here, and the Black and Brown communities continue to stagnant. Actually, the racial wealth gap is still increasing and there is a much higher failure rate for Black businesses than before George Floyd murder.

About Paybby

Paybby (pronounced pay baby) is a New York based Fintech company, and the only Black- owned company with a working mobile-only banking App that offers checking and savings accounts and is focused on the empowerment of the Black and Brown community. The Wicket by Paybby App is

available on the Apple App and Google Play store. It is possible to get a free bank account in only a few minutes after download.

Paybby's mission is to eliminate the excessive banking fees charged by banks and other institutions and support the recirculation of capital in the Black and Brown community. In less than a year, Paybby was conceived and launched a fully working banking App available in all 50 states. Paybby is committed to investing in areas that will fix the problems that cause disparities in banking The goal of company management, experienced in technology and finance, is building banking products that can scale nationally and offer services that will drive banking in the future.



Hassan Miah

Statement for the Record

On Behalf of the

American Bankers Association

Before the

Subcommittee on Diversity and Inclusion

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June 29, 2021



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Chairwoman Beatty, Ranking Member Wagner, and members of the subcommittee, the American Bankers Association (ABA) appreciates the opportunity to submit a statement for the record for the hearing titled "The Legacy of George Floyd: An Examination of Financial Services Industry Commitments to Economic and Racial Justice." ABA is the voice of the nation's $22.5 trillion banking industry, which is composed of small, midsize, regional and large banks that together employ more than two million people.

The murder of George Floyd forced the entire nation to reflect on racial inequity and injustice. His tragic and unnecessary death triggered an important national conversation on race and fairness that continues to this day. The banking industry, like other business sectors in the country, has been part of that national conversation. Banks of all sizes have worked hard to listen to their employees, especially their Black employees, engage with their customers and communities, and consider additional actions they can take to promote inclusion and economic opportunity.

As the nation's largest bank trade association and the only one representing banks of all sizes, ABA has encouraged our members to prioritize diversity, equity and inclusion (DEI) in every aspect of their operations. At the direction of CEO Rob Nichols,

ABA launched a DEI Task Force in 2017 to review both our internal DEI program and our DEI resources for member banks. We are currently providing direct support for banks looking to expand and enhance their DEI programs and demonstrate their commitment to financial inclusion in the communities they serve. We are proud of the important work underway, but fully acknowledge there is more for the banking industry to do. In this statement, we hope to highlight some of ABA's efforts and the work of our members and other industry partners across the country.

The banking industry firmly believes in the value of diversity, equity, and inclusion, and that a diverse workforce is critical to individual banks' success in meeting the needs of diverse communities and customers across the nation. In recent years, ABA has worked with and encouraged its member banks to review their diversity, equity, and inclusion programs while providing a range of resources and services to help banks address diversity, equity and inclusion issues. Many banks have robust DEI programs and have implemented leading practices such as Employee Resource Groups, leadership and formal mentoring programs to advance women, people of color, and other underrepresented groups, and supplier diversity programs. Other banks are in the beginning stages of their DEI journey. ABA recognizes that DEI efforts must be tailored to individual organizations and factor in a bank's existing culture, present and future needs, and the steps the bank must take to achieve their DEI vision. ABA's mission is to meet every bank where they are and assist them with implementing DEI programs and policies that advance them in their journey toward more equitable, inclusive, and diverse workplaces and greater service to their communities.

Our member banks – large and small – are actively working with their communities to help close racial wealth gaps. These activities have taken on increased urgency as a result of the events of the last year. Several of our larger member banks made significant financial commitments toward reducing racial economic disparities and investing in Black-owned businesses and entrepreneurs, housing, Black communities, and to Historically Black Colleges and Universities and other education and professional programs to develop Black talent for the workforce—for careers in banking and other industries. While our smaller member banks have not garnered the same headlines for their financial commitments, their contributions matter deeply to achieving economic equity across the country. These unprecedented commitments have led to important dialogues with employees and more urgent conversations with community partners. These interactions will undoubtedly help forge a better understanding of the needs of the community.

As impressive as the depth and breadth of these monetary contributions are, our member banks' commitment to DEI is equally important for furthering diverse, equitable and inclusive workplaces and conducting productive relationships with their community partners to meet their customers' needs.

We appreciate the opportunity to spotlight just a few examples of how the last few months have sparked greater interaction and change. A community bank in Washington state that was one of the first signatories to a referendum urging their state legislature to adopt marriage equality has worked closely with LGBTQ+ groups to ensure the psychological safety of their LGBTQ+ employees in the workplace. One DEI program helps women- and veteran-owned businesses navigate the state's Linked

Deposit loan program to access capital to expand their businesses. The same bank has a partnership with the Indigenous tribe in their footprint to identify and develop products that are of the most use to or can be modified to meet the needs of tribal members; the bank is now building on that work to create a program to recruit workforce candidates from among tribal members. The bank also worked with the Mainstay Program to employ a person living with disabilities and plans to add more candidates to their workforce.

A community bank in Maryland, led by a woman CEO, has achieved 45 percent gender parity in its Board of Directors. This bank is focused on inclusive leadership and ensuring that their managers have the professional development tools and interpersonal skills to develop and lead diverse, cohesive, and inclusive teams.

A community bank in Colorado has a robust multi-cultural banking program that creates cultural touchpoints within communities to support small businesses. Their outreach includes immigrant communities and communities that share marginalized racial and ethnic identities.

A bank in Georgia has invested in creating employee resource groups to support their employees' professional development and provide networking and mentorship opportunities for underrepresented groups. This bank developed frequent, recurring educational programming on marginalized identities to further internal conversations and create psychological safety and inclusiveness for their workforce.

A Texas-based bank uses heritage month observances as the primary vehicle to educate their employees and to foster empathy and understanding across teams and departments. The bank created its first Chief Diversity Officer position, promoting

internally, to further integrate DEI into their learning and development programs more broadly.

Many of our member banks have formed DEI councils, committees, or task forces to help their organizations implement DEI initiatives and tie DEI goals to bank business strategies. ABA's Senior Vice-President for Diversity, Equity and Inclusion, Naomi Mercer, who previously testified before your subcommittee, has given dozens of presentations and workshops to state bankers associations and bank leaders. She outlines DEI frameworks and strategies that form blueprints for governance and implementation of DEI initiatives, in addition to conducting custom consultations with individual banks and boards of directors.

ABA also continues to keep DEI centerstage at our conferences, schools and events. Our Washington Summit in March, attended by more than 3,000 bankers, featured a conversation with Chairwoman Beatty on this Subcommittee's important work. We have co-hosted two DEI Summits with the Virginia Bankers Association in the last eight months. Those Summits focused on providing tangible, actionable practices that bankers can implement in their organizations right away. More than 400 bankers attended the recent May 2021 Summit.

Recent DEI-focused ABA webinars for bankers also included sessions on increasing Black homeownership, digital accessibility and how to complete the diversity and inclusion self-assessment reports requested of banks by the Office of Minority and Women Inclusion at each of the federal banking regulators.

Our leading practices repository, launched last June, helps bankers identify practices and policies to implement in their organizations. Earlier this year, ABA

launched a guide for managers to have uncomfortable but crucial conversations with their teams and provided our expert to bank management teams to take them through the guide, step-by-step. The guide also includes 16 modules on DEI topics—ranging from race to weight bias to living with disabilities—with activities, conversation starters, contextual information, discussion questions, and continued learning resources.

We have developed content for training and education modules on "Culturally Relevant Customer Service" to help bankers think through biased behaviors that may arise in customer service scenarios and change their behavior to be more inclusive. ABA has also created content that goes beyond mere awareness and addresses the missing piece of most corporate unconscious bias training: self-reflection. These educational tools are currently in production for release later this year.

In addition to our thought leadership and development of resources for our member banks, ABA acknowledges that our organization must be an exemplar in the DEI space. Since the murder of Mr. Floyd, ABA held a series of "Shared Commitment Conversations" to discuss our workforce's needs for psychological safety and to help all of us be better allies to each other. ABA places a DEI lens on every policy position and works diligently to ensure the diversity of speakers at our events. And prior to the events of last year, ABA signed a Memorandum of Understanding with the National Bankers Association (an association of Black-owned banks working to eliminate the racial wealth gap). This unique partnership not only helps us better serve our Minority Depository Institution members, but also allows for a greater exchange of information on the needs of underserved communities, which MDIs have done a magnificent job in serving.

ABA has also taken a leadership role in encouraging the industry to prioritize financial inclusion. Last October for example, ABA President and CEO Rob Nichols used his speech at our annual convention to urge every bank in the nation to offer a Bank On-certified account. These affordable, low or no fee transaction accounts created by the Cities for Financial Empowerment (CFE) Fund have proven successful in reducing the number of unbanked across the country. With the strong support of ABA, the number of banks offering certified accounts has more than doubled, with more than 32,500 bank branches providing access to Bank On certified accounts, with more on the way.

ABA also works closely with our state association alliance partners around the country who have taken their own steps to prioritize DEI and financial inclusion since George Floyd's murder. The Texas Bankers Association (TBA) recently developed a whole of community education program called CREATE—the Community REinvestment And Trust Enterprise initiative. By combining business literacy education, practical banking advice and pro bono legal services, CREATE's top objective is to help expand access to capital in low-and-moderate income areas. CREATE is proactively uniting banks, community organizations, minority chambers of commerce and educational institutions to support small business growth and sustainability.

Industry diversification is another pillar of the CREATE program with the goal of substantially expanding the number of executives and lenders from underrepresented communities in the Texas banking workforce. For example, TBA has committed $100,000 to help develop a premier HBCU banking program at Texas Southern University. Texas banks of every size have responded generously with nearly $3 million

in contributions to TSU alone. Additionally, TBA is providing curriculum support, advisors, and student scholarships at other universities with majority-minority student populations, helping banking programs at Prairie View A&M, Texas A&M-Kingsville, and the University of Texas-El Paso to grow. Meanwhile, the Texas Bankers Association has joined at least eight other state banking associations in supporting BankWork$ to provide bank career training and job placement assistance to young people from low-income communities at no cost.

The North Carolina Bankers Association (NCBA) formed a DEI Council of member banks in August 2020 that now meets monthly to provide DEI resources and thought leadership to member banks. For more than 30 years the NCBA has sponsored a summer camp for high-achieving, low-resource middle school students. Bankers volunteer their time at the camp, which includes a focus on financial literacy. The NCBA is in discussions with the state's 10 HBCU's on a new initiative to connect students with career opportunities in banking.

In addition to co-hosting two DEI Summits with ABA, the Virginia Bankers Association (VBA) created its own DEI Council in 2019 to help guide the association's DEI support for member banks. On July 1st, the VBA hosted a Town Hall on Racial Equality and has followed with training sessions on unconscious bias and a range of other DEI programming including a new Women's Mentorship Program.

The Pennsylvania Bankers Association (PBA) recently created a DEI Advisory Group to expand its DEI resources for members. The PBA surveyed member-banks to assess their DEI programs and potential needs and held banker focus groups on DEI across the state. The PBA plans to expand its BankWork$ career training for low-

income job candidates and increase the number of member banks offering Bank On certified accounts. It also has plans to host its own diversity conference.

Conclusion

In the wake of George Floyd's murder, and at the direction of our leadership, ABA has stepped up its efforts to advise, educate and energize our members banks on diversity, equity and inclusion. We recognize that DEI programs must be tailored to each organization's unique culture, community, customer base, and workforce. ABA has also taken steps to promote financial inclusion across the country through initiatives such as Bank On and has encouraged banks of all sizes to expand their own commitments.

While the industry has made progress, we recognize there is much more work to do. ABA and our members across the country stand ready to work with the subcommittee to address these critically important issues moving forward. Thank you for the opportunity to share our perspective.



STATEMENT FOR THE RECORD OF COLOR OF CHANGE

U.S. HOUSE COMMITTEE ON FINANCIAL SERVICES

HEARING ON "THE LEGACY OF GEORGE FLOYD: AN EXAMINATION OF FINANCIAL SERVICES INDUSTRY COMMITMENTS TO ECONOMIC AND RACIAL JUSTICE"

JUNE 29, 2021

Dear Chairman Waters and Members of the House Financial Services Committee:

Color Of Change (COC) appreciates the opportunity to provide this statement for the record of the House Financial Services Committee's amendment to the Securities Exchange Act of 1934 to require covered issuers to carry out a racial equity audit every two years, and for other purposes, regarding the effects of industry commitments and consumer finance regulations.

Introduction

Just one year after the murder of George Floyd, more than a decade after the financial crisis, coupled with continued weaknesses in the oversight of Securities and Exchange Commission (SEC)-regulated entities and markets endanger the stability of the financial system and make workers, businesses and Black communities as a whole vulnerable to exploitation by Wall Street banks, private equity and hedge funds. SEC actions and inactions have also deprived communities and the public of needed information on the discriminatory practices of large corporations — including those related to climate risks and opportunities — and endanger the investments and savings of Black communities.

On behalf of our members and in response to the police violence and subsequent protests sparked by the killing of Breonna Taylor, Ahmaud Arbery, and George Floyd, we urge this Committee to take the bold step of ensuring the financial services industry holds to the pledges of investing in Black communities and communities of color by passing this amendment to the 1934 SEC Act. The 1934 SEC Act would boost transparency through accountability mechanisms and erode discriminatory and predatory banking practices that harm Black communities.

In this statement, Color Of Change is focused on highlighting the following priorities included in the 1934 SEC Act:

1. Mandates audits to assess policies and practices on civil rights, equity, diversity, and inclusion. The legislation mandates that financial institutions report assessment findings in its filings and on the company website. If financial institutions fail to disclose or disclose false or inaccurate information, they will be fined $20,000 per day.
2. Requires financial institutions to disclose whether the issuer had direct or indirect ties to or profited from the institution of slavery. To the extent that these institutions did have ties to or benefit from slavery, they would be required to disclose what steps they have taken to reconcile.
3. Establishes the Office of Reparations Programs. The bill authorizes $3 billion to establish the Offices of Reparations Programs within the Department of the Treasury to administer programs related to down payment assistance, homeownership, startup capital, and funded savings programs for Black communities.

Banks like Goldman Sachs, Wells Fargo, JP Morgan Chase and others made statements to condemn racial injustice and advance racial equity. Goldman Sachs, for instance, pledged $10 million funding as part of the Goldman Sachs Fund for Racial Equity. Yet Goldman Sachs and other financial institutions do not account for the cascading effects of the 2008 financial crisis, which cost Black and underserved families trillions of dollars in generational wealth[1]. In the year since their statements on racial justice, these Wall Street financial institutions have yet to thoroughly demonstrate their support for Black consumers, employees, and other stakeholders.

It must not also be lost that many financial institutions also played a role in enslaving millions of Black or people of African descent. The enslavement of African people in the Americas by the nations and peoples of Western Europe, created the economic engine that is modern capitalism. Therefore it comes as no surprise that these institutions benefited directly from slavery. This is also an offense with effects stemming beyond this day. The economic legacy of these financial institutions is an indication of their role and treatment of Black people.

Actions must match words and in the anniversary of the aftermath of the murder of George Floyd, it is systemically important for these institutions to implement an equity audit. Commitments without accountability and transparency do not help to dismantle systemic racism. There must be a commitment to tangible long-term change.

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[1] Goldman Sachs Failed 10 Years Ago Today.
https://bettermarkets.com/newsroom/goldman-sachs-failed-10-years-ago-today. Better Markets. June 25, 2021.September 20, 2018.

Future Policy Priorities

The SEC must continue to move forward on many pressing priorities. Black communities continue to face unfair, deceptive, and abusive practices when accessing financial services. To that end, COC continues to urge this Committee to move forward on each of the below priorities:

Corporate Reporting Infrastructure. Color Of Change strongly supports sustainability reporting and its interrelationship with financial accounting and reporting as it pertains to corporate effects on Black and marginalized communities.

Payday lending. Color Of Change continues to hope for stronger enforcement on all high-cost lenders, including payday, car title, and installment lenders to confirm a borrower's ability to repay in light of their income and expenses without defaulting on other bills and without taking out a new loan. This work is vital to stopping the worst abuses in predatory small-dollar lending and the debt trap that has ensnared millions in this country.

Arbitration. Color Of Change supports a strong rule banning or restricting forced arbitration. Lenders and servicers use mandatory arbitration clauses to block people from joining together to seek compensation; these clauses typically force wronged consumers to individually bring their claims against large corporations in a private arbitration system that is shaped by corporations to favor their interests.

Debt collection. Color Of Change is encouraged that regulatory agencies have announced further intentions[2] to initiate a rulemaking process on debt collection. The Consumer Financial Protection Bureau receives more complaints about debt collection than any other issue, and it is vital that continued abuses also be addressed by the Securities Exchange Commission.

Student lending. Color Of Change welcomes greater attention to the student loan servicing market, including its ongoing collection of debt collection and private student loans. Previously solicited feedback from students on their student loan-related problems in the form of a SEC Request for Information (RFI) on servicing[3], which received more than 30,000 comments. Furthermore, a collection of over 450 organizations led the charge of calling for student debt elimination.[4] Our internal polling found student loans are more distressed than other types of consumer debt, with more than 1-in-4 student loan borrowers now delinquent or in default on a student loan.

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[2] SEC Chair Highlights Intersection Of Finance And Technology In Equity Markets - Finance and Banking - United States. https://www.mondaq.com/unitedstates/financial-services/1079732/sec-chair-highlights-intersection-of-finance-and-technology-in-equity-markets. Welcome to Mondaq. June 25, 2021. June 14, 2021

[3] https://www.sec.gov/rules/other/2006/34-54077.pdf

[4] Sign-on Letter: Over 415 Orgs Call on President Biden to Cancel Federal Student Debt Immediately via Executive Action. https://ourfinancialsecurity.org/2021/04/sign-on-letter-over-410-orgs-call-on-president-biden-to-cancel-federal-student-debt-immediately-via-executive-action/. Americans for Financial Reform. June 25, 2021. April 13, 2021.

Collection of data on lending to small businesses. Color Of Change very much sees the collection of data on lending to Black-owned businesses as a top priority. Black-owned businesses are critical to job creation, and the founding is often rooted in the infrastructure of Black communities. Unfortunately, Black-owned businesses often face challenges attracting needed capital.[5] Data collection is a valuable tool to address this.

Data availability. Color Of Change strongly believes in the public cataloging of Black consumer data. In particular, the assurance of public data availability often reveals issuer intent on financial matters such as lending and credit access. Color Of Change supports disclosure with protecting borrowers' legitimate privacy interests.

* * *

Thank you for the opportunity to express COC's views on this matter.

5 Black-Owned Businesses Often Struggle to Access Capital. Here's How Financial Institutions Can Change That. https://insight.kellogg.northwestern.edu/article/black-owned-businesses-access-capital-financial-institutions-change. Kellogg Insight. June 25, 2021

Statement for the Record

Financial Services Forum

Before the

Subcommittee on Diversity and Inclusion

House Financial Services Committee

June 29, 2021

The Financial Services Forum (Forum) submits the following statement for the record as part of the hearing in the Subcommittee on Diversity and Inclusion on June 29, 2021, entitled "The Legacy of George Floyd: An Examination of Financial Services Industry Commitments to Economic and Racial Justice."

The Forum is an economic policy and advocacy organization whose members are the chief executive officers of the eight largest and most diversified financial institutions headquartered in the United States. These U.S. Global Systemically Important Banks, or U.S. GSIBs, employ more than 755,000 people in all 50 states, the District of Columbia, Puerto Rico, and Guam; hold more than $4 trillion in loans, including $126 billion in small business loans; provide nearly half of all consumer loans by banks in the United States; and underwrite three-quarters of the debt and equity transactions.

Thank you for holding this hearing on an important topic in our country and for the opportunity to submit this statement for the record. Recognizing financial institutions can play an important role in helping to close the racial wealth gap, Forum firms have not only committed, but have deployed billions of dollars over the past year to improve racial equity, including investing in Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs), financing affordable housing and providing grants to assist low- and moderate-income individuals to buy a home, increasing diversity and inclusion within their institutions, and offering products and services to the millions of unbanked in the country.

Commitment to CDFIs and MDIs

Forum firms have made significant contributions to CDFIs and MDIs over the past several years. Recognizing that CDFIs and MDIs have extensive reach into diverse communities and can be a conduit for lending to minority-owned small businesses, Forum firms have invested $9 billion in CDFIs over the past five years and $500 million into MDIs.

Beyond investments, Forum firms partner with CDFIs and MDIs across the country, providing mentorship through the U.S. Department of Treasury mentor-protégé program, technical assistance, and training for employees to ensure investment dollars can reach maximum impact in underserved communities and communities of color. Such investments and partnerships increase the number of loans in low-and-moderate income communities, help finance affordable housing, and increase access to capital for minority-small business owners.

Housing

Affordable housing is a basic human necessity, and the largest financial institutions are doing their part to help ensure greater access to affordable housing across the country as well as to assist new homeowners realize the American Dream during a time of great need.

While the pandemic spread throughout the country and millions of Americans faced housing uncertainty, the nation's largest banks financed more than 158,000 affordable housing units, including construction of new units and the preservation of existing affordable housing units in 2020.

Understanding that generational wealth significantly grows through homeownership, the U.S. GSIBs did more than simply finance the creation of affordable housing units. Throughout the pandemic, Forum firms expanded programs designed to increase access to homeownership for low- and moderate-income individuals and communities of color. This includes grants for down payment and closing costs, which are often barriers to first-time homebuyers. These efforts have helped thousands of new families buy a home, taking advantage of historically low interest rates.

Commitment to Diversity

Improving diversity and inclusion at large U.S. financial institutions is a priority of Forum members and their chief executive officers. U.S. GSIB CEOs and senior leadership are directly involved with diversity and inclusion at each member bank, helping set concrete diversity targets and evaluating progress.

Their commitment to diversity is evidenced in their growth and improvement over the past few years. Total diversity at U.S. GSIBs increased overall and at the highest and middle levels between 2018 and 2020. Further, Forum members have greater diversity as compared to the U.S. corporate average. While more work needs to be done, the nation's largest banks have shown they are moving in a positive direction.

The Forum also supports the Improving Governance Through Diversity Act. The bill would require all public companies to disclose racial, ethnic, and gender composition as well as veteran status of their boards of directors and executive officers. Diversity of corporate boards is critically important to investors and other stakeholders as diversity strengthens boards, ensures representation of differing experiences and perspectives, and allows for unique approaches to solve complex problems. Forum members recognize that efforts to increase board diversity bolster competitiveness around the world, help foster a sustainable and inclusive economy, and lead to better results for consumers, clients, and communities.

Additionally, Forum members are proud of their extensive investments and partnerships with HBCUs and Hispanic serving institutions (HSIs) to ensure active recruitment of talented, diverse candidates. The nation's largest banks also use diversity and inclusion focused trainings, career development events, and affinity groups to promote a workplace community where diverse employees can grow, learn, and thrive.

Serving the Unbanked and Underbanked

The largest banks have also led the way in offering products and services so that the millions of unbanked Americans can gain access to the traditional, regulated banking system, which ensures more consumer protection and greater financial stability. Whether it is offering low-cost, low-fee checking accounts, financial counseling services, or alternative forms of credit scoring to provide products and services to the unbanked and underserved communities, Forum firms are constantly innovating.

For example, U.S. GSIBs were founding partners with the Cities for Financial Empowerment (CFE) to provide low-cost, low fee checking accounts in an effort to reach the unbanked. The BankOn certified account program has expanded to dozens of lenders around the country, and Forum members were proud to be part of the pilot program. In addition, Forum members have worked with CFE Fund and others to offer Financial Empowerment Centers in cities across the country. Financial Empowerment Centers offer financial counseling for free to residents to address their financial needs. This free public service helps clients navigate complex financial situations and plan their future financial goals as well as supports strategic research projects to enhance the success of financial counseling. Such counseling was even more critical during the pandemic when people in low- and moderate-income communities were hit hardest by COVID-19 and navigated unprecedented economic times.

Moreover, several U.S. GSIBs are working with the OCC on Project REACh to promote financial inclusion through greater access to credit and capital. In particular, through Project REACh, the nation's largest banks have worked to reach credit invisibles. The banks have worked with Early Warning Services (EWS) to create a tool that supplies non-traditional data sources, such as deposit account activity, to the three credit bureaus, allowing all lenders to improve the assessment of creditworthiness. Individuals that may not have a credit score due to difficult circumstances will benefit from this innovation and gain access to traditional, regulated bank products and services.

Conclusion

U.S. GSIBs are committed to investing and serving the communities in which they reside and have continued to expand their investments and partnerships with community-based groups and regulators over the past year.

The Forum submits additional materials for the record, which provide greater detail on how large, diversified U.S. financial institutions are working to close the racial wealth gap, invest in

and partner with CDFIs and MDIs, finance affordable housing, improve diversity and inclusion, and reach the unbanked.

The Forum appreciates the opportunity to submit this statement for the record and accompanying materials. Thank you for your leadership in Congress on this critical issue. U.S. GSIBs stand ready to work with you to help address these important issues.


The largest U.S. banks are invested in CDFIs
FINANCIAL SERVICES FORUM
Community Development Financial Institutions (CDFIs) are private financial institutions dedicated to delivering responsible, affordable lending to help low-income and underserved communities that lack access to finance join the economic mainstream.
Some examples of the commitment of Forum members to CDFIs in the pandemic:
$9 Billion
From 2015-2020, the eight U.S. Global Systemically Important Banks have invested nearly $9 billion in CDFIs.
Bank of America
In March 2020, Bank of America committed an additional $250 million to support PPP lending through CDFI loan funds and CDFI and minority-owned banks. The company has already exceeded this commitment, providing $254 million in new credit facilities and $10 million in grants to CDFIs.
JPMorganChase
In early 2020, JPMorgan Chase committed $200 million in long-term, low-cost capital to CDFIs to help vulnerable small businesses access capital to sustain and rebuild in the wake of the crisis. The bank later announced an additional $300 million, along with a pledge to expand the number of partner CDFIs.
citibank
In addition to capital and financing, Citibank and its foundation have committed more than $79 million in philanthropic funding to 80+ CDFIs to support their small business and community development efforts. The bank also has made its ATM networks available free of charge to some CDFI customers.
Morgan Stanley
In September 2020, Morgan Stanley and the National Community Reinvestment Coalition (NCRC) announced a $15 billion plan to increase lending and investments in lower-income communities, including $5 million that is passing through NCRC's CDFI with a focus on advancing racial equity.
Goldman Sachs
Goldman Sachs last year deployed over $690 million for emergency loans through CDFIs and other mission-driven lenders to support more than 15,000 small businesses with 87,000 employees. Nearly half of the funds went to businesses in minority communities; one-third went to those in low-income communities.
WELLS FARGO
Wells Fargo has helped small business owners sustain 195,000 jobs so far through its Diverse Community Capital program, a five-year, $175 million effort to empower diverse entrepreneurs through 90+ CDFIs.
fsforum.com
The Financial Services Forum is an economic policy and advocacy organization whose members are the chief executive officers of the eight largest and most diversified financial institutions headquartered in the United States.
BANK OF AMERICA
BNY MELLON
citi
Goldman Sachs
JPMORGAN CHASE & Co.
Morgan Stanley
STATE STREET
WELLS FARGO

Forum Members Working to Close the Racial Wealth Gap

FINANCIAL SERVICES FORUM

Bank of America in 2020 announced a $1 billion commitment to advance racial equality and economic opportunity, an effort recently expanded to $1.25 billion over five years. The initiative includes actions to address racial justice and advocacy for communities of color and is focused on creating opportunity in areas with persistent, systemic barriers including health and healthcare, jobs/reskilling, small business and affordable housing. To date, the company has made more than $350 million in various investments, including equity investments in 40 minority focused funds, totaling more than $150 million, and investments in 14 minority depository institutions and community development financial institutions to providebanking services to those that do not qualify through traditional lenders.

BNY Mellon recently made a $15 million commitment – $5 million to the Community College of Allegheny County and $10 million to the City University of New York – to support workforce training programs in traditionally underrepresented minority groups and communities hardest hit by the recent economic downturn. Additionally, BNY Mellon launched its Equality Campaign Matched Giving program matching at 200 percent employee donations to organizations focused on social justice reform and racial equality. BNY Mellon made an initial pledge of $1.5 million to key organizations like My Brother's Keeper, NAACP Legal Defense and Education Fund, Southern Poverty Law Center, National Network for Safe Communities and Vera Institute of Justice.

In September 2020, **Citi** announced more than $1 billion in strategic initiatives to help close the racial wealth gap and increase economic mobility. These initiatives include resources for supporting homeownership and affordable housing for people of color; procurement opportunities for Black-owned business suppliers; investing capital for Black entrepreneurs; supporting MDIs; and grants to community organizations addressing racial equality. Further, in September 2020 Citi expanded its Pathways to Progress program with an additional $100 million investment. This program has served approximately 100,000 Black and Latinx youth over the past three years, and expanded efforts will focus on employment and entrepreneurship programs.

Goldman Sachs this year announced an investment initiative, One Million Black Women, of more than $10 billion to advance racial equity and economic opportunity by investing in Black women to address the dual disproportionate gender and racial biases that Black women have faced for generations, which have only been exacerbated by the pandemic. Since the start of the pandemic, Goldman Sachs has deployed over $690 million for emergency loans through CDFIs and other mission-driven lenders; nearly half went to small businesses in minority communities. The firm also created the $10 million Goldman Sachs Fund for Racial Equity, which supports organizations addressing racial injustice, structural inequity and economic disparity.

The Financial Services Forum is an economic policy and advocacy organization whose members are the chief executive officers of the eight largest and most diversified financial institutions headquartered in the United States.

Learn more about the Financial Services Forum and how our members' more than 755,000 employees serve our economy and our communities at www.fsforum.com, and follow us on Twitter: @fsforum.

BANK OF AMERICA · BNY MELLON · citi · Goldman Sachs · JPMORGAN CHASE & CO. · Morgan Stanley · STATE STREET · WELLS FARGO

JPMorgan Chase in 2020 announced a $30 billion commitment over five years to advance racial equity for Black and Latinx communities. Looking at the levers the firm could pull to help close the racial wealth gap, support their employees around the world and do their part to dismantle systemic racism, the firm is taking a holistic approach to make targeted business and philanthropic investments that benefit more underserved and underbanked communities. Using the full resources of the firm, JPMC is investing in affordable housing, small business expansion, financial health and neighborhood development using flexible, low-cost loans and grants to help Black and Latinx families build generational wealth, sustainably. For example, through their Entrepreneurs of Color Fund, JPMC has provided over 1,200 loans and deployed more than $32 million in capital to Black, Latinx and other underserved entrepreneurs since 2015.

In 2020, **Morgan Stanley** and the National Community Reinvestment Coalition (NCRC) announced a $15 billion plan to increase lending and investments in lower-income communities. Five million dollars in grant capital is passing through NCRC's CDFI with a focus on advancing racial equity. Morgan Stanley also announced $10 million in grants to support the National Urban League (NUL). The funds support NUL's financial literacy, homeowners counseling and workforce development programs with an emphasis on technology programs that help expand broadband, and a four-year internship program that allows rising leaders to work with executive management. Additionally, Morgan Stanley has committed $10 million in grants to support MDIs.

State Street in 2020 announced a five-year, $5 million commitment to the New Commonwealth Racial Equity and Social Justice Fund. This fund supports Black- and brown-led organizations that are working on economic empowerment, youth civic engagement, healthcare equity, and criminal justice reform Additionally, the firm is increasing its spend with diverse suppliers over the next three years to strengthen Black- and Latinx- owned businesses. State Street is a key partner in Small Business Strong, a partnership created to help women and minority-owned small businesses navigate the impacts of the COVID-19 pandemic by providing pro-bono resources to provide advice on subjects such as access to capital, business growth, digital marketing and customer engagement plans -- all at no cost to the small business owner.

Wells Fargo is donating approximately $420 million through its Open for Business Fund, a small business recovery effort aimed at helping minority-owned businesses obtain capital and technical support. The Fund has helped more than 35,000 small business owners and protected more than 90,000 jobs as of May 2021. The firm is also investing up to $50 million in African American MDIs to help support and generate economic opportunities in African American communities. In May 2021, Wells Fargo introduced the Banking Inclusion Initiative – a 10-year commitment to help more people who are unbanked gain access to affordable, mainstream, digitally-enabled transactional accounts and easier access to low-cost banking products.

The Largest U.S. Banks are Invested in MDIs

FINANCIAL SERVICES FORUM

$505.6 Million

Forum members have committed more than $500 million to minority depository institutions as part of their overall commitment to help close the racial wealth gap. Beyond monetary investments, Forum member commitments to MDIs include employee training, technical assistance, and participation in the Department of Treasury's Mentor-Protégé Program, where mentor banks voluntarily assist protégé banks in growing their business and competing for financial assistance opportunities.

BANK OF AMERICA

As part of its $1 billion commitment to closing the racial wealth gap, **Bank of America** has committed $50 million to support MDIs. The $50 million investment to MDIs includes investments in 10 MDIs across the country, including the purchase of approximately 5 percent of the common equity in three of those MDIs. These investments will facilitate benefits across multiple states and in the communities that these institutions serve through lending, housing, neighborhood revitalization, and other banking services.

citi

As part of its $1 billion strategic initiative to close the racial wealth gap, **Citi** has committed $100 million to MDIs to expand access to banking and credit in communities of color. Citi has allocated more than $50 million so far and the bank has closed nearly $15 million in affordable housing loan participations for MDIs to build revenue and capacity. Citi also emphasizes engagement and mentorship. Through collaboration with Deloitte and the National Bankers Association, Citi has established an MDI technical assistance program to support talent development, enhance technology, and expand business networks.

Goldman Sachs

Goldman Sachs has deployed over $206 million in capital to support Black-led MDIs, including a $130 million commitment to Hope Enterprise Corporation, a leading MDI and CDFI in the South, to establish the "Deep South Economic Mobility Collaborative," a public-private partnership with seven cities and nine historically Black colleges and universities across the South. The Collaborative will provide credit and support services to entrepreneurs of color, particularly Black women entrepreneurs, in historically disadvantaged neighborhoods.

JPMorgan Chase & Co.

As part of its $30 billion commitment to advance racial equity, **JPMorgan Chase** is providing diverse-led financial institutions with additional access to capital, connections to institutional investors, specialty support for Black-led commercial projects, and mentorship and training opportunities. In 2020, the firm committed to investing $50 million in Black and Latinx-led MDIs and CDFIs. With nearly $60 million already deployed to nine MDIs, the commitment has been increased to $75 million, which could generate access to as much as $750 million in community lending. JPMorgan Chase expects to expand its target to include Latinx-led MDIs and announce new investments by mid-2021.

Morgan Stanley

Morgan Stanley has provided commitments to MDIs in the form of grants, including to Carver Savings Bank in Harlem; Industrials Bank in Washington, D.C. and Newark, N.J.; and Citizens Bank in Atlanta. The grants will help the banks assist small businesses that were affected by COVID-19, particularly those that did not receive federal relief loans, and will support additional investments into technology systems to improve delivery of customer, mortgage and business lending services.

WELLS FARGO

Wells Fargo has committed $50 million in investments in MDIs. As of April 2021, Wells Fargo has invested in 11 MDIs and is working to invest in more. Above and beyond the equity investments, Wells Fargo is engaging in long-term partnerships with MDIs, including providing bank coverage teams for each MDI, providing technical assistance, fee-free ATM access for MDI customers, selling some shuttered branches to MDIs and looking at selling certain loan portfolios to MDIs.

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BANK OF AMERICA · BNY MELLON · citi · Goldman Sachs · JPMorgan Chase & Co. · Morgan Stanley · State Street · WELLS FARGO

Supporting Workforce Diversity

FINANCIAL SERVICES FORUM

We're committed to hiring, training and promoting talented employees from all backgrounds.

HOW OUR MEMBERS ARE MAKING PROGRESS

- We are building a pipeline of diverse talent: **37 percent of managers are racially diverse, as are 46 percent of our total workforce.**
- Our member **CEOs and senior leadership are directly involved** with diversity and inclusion at each member bank, helping set concrete **diversity targets** and **evaluating progress**.

Diverse Employees, Forum vs U.S. Average[1]



OUR EFFORTS IN ACTION

Partnerships with historically black colleges and universities (HBCUs) and Hispanic serving institutions (HSIs) ensure our members are ***actively recruiting talented, diverse candidates.***

Our members use ***diversity and inclusion-focused trainings, career development events and affinity groups*** to build a workplace community where employees of color can grow, learn and thrive.

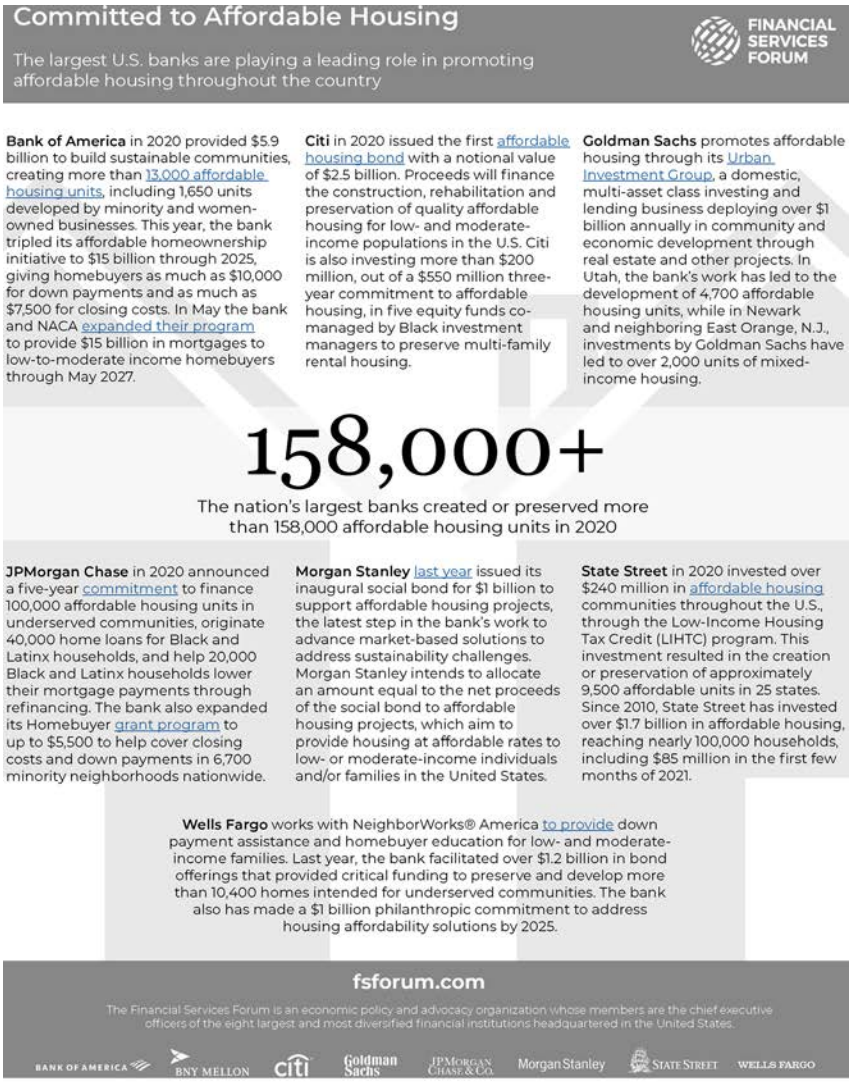
Our members have been recognized by groups like Forbes and Latina Style for their ***commitments to diverse hiring*** and for their ***support of employees of color*** in the workplace.

[1]Source: U.S. Equal Employment Opportunity Commission, "Job Patterns For Minorities And Women In Private Industry," 2018. 2019 and 2020 EEOC data collection was **delayed** due to COVID-19.

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Committed to Affordable Housing
The largest U.S. banks are playing a leading role in promoting affordable housing throughout the country
FINANCIAL SERVICES FORUM
Bank of America in 2020 provided $5.9 billion to build sustainable communities, creating more than 13,000 affordable housing units, including 1,650 units developed by minority and women-owned businesses. This year, the bank tripled its affordable homeownership initiative to $15 billion through 2025, giving homebuyers as much as $10,000 for down payments and as much as $7,500 for closing costs. In May the bank and NACA expanded their program to provide $15 billion in mortgages to low-to-moderate income homebuyers through May 2027.
Citi in 2020 issued the first affordable housing bond with a notional value of $2.5 billion. Proceeds will finance the construction, rehabilitation and preservation of quality affordable housing for low- and moderate-income populations in the U.S. Citi is also investing more than $200 million, out of a $550 million three-year commitment to affordable housing, in five equity funds co-managed by Black investment managers to preserve multi-family rental housing.
Goldman Sachs promotes affordable housing through its Urban Investment Group, a domestic, multi-asset class investing and lending business deploying over $1 billion annually in community and economic development through real estate and other projects. In Utah, the bank's work has led to the development of 4,700 affordable housing units, while in Newark and neighboring East Orange, N.J., investments by Goldman Sachs have led to over 2,000 units of mixed-income housing.
158,000+
The nation's largest banks created or preserved more than 158,000 affordable housing units in 2020
JPMorgan Chase in 2020 announced a five-year commitment to finance 100,000 affordable housing units in underserved communities, originate 40,000 home loans for Black and Latinx households, and help 20,000 Black and Latinx households lower their mortgage payments through refinancing. The bank also expanded its Homebuyer grant program to up to $5,500 to help cover closing costs and down payments in 6,700 minority neighborhoods nationwide.
Morgan Stanley last year issued its inaugural social bond for $1 billion to support affordable housing projects, the latest step in the bank's work to advance market-based solutions to address sustainability challenges. Morgan Stanley intends to allocate an amount equal to the net proceeds of the social bond to affordable housing projects, which aim to provide housing at affordable rates to low- or moderate-income individuals and/or families in the United States.
State Street in 2020 invested over $240 million in affordable housing communities throughout the U.S., through the Low-Income Housing Tax Credit (LIHTC) program. This investment resulted in the creation or preservation of approximately 9,500 affordable units in 25 states. Since 2010, State Street has invested over $1.7 billion in affordable housing, reaching nearly 100,000 households, including $85 million in the first few months of 2021.
Wells Fargo works with NeighborWorks® America to provide down payment assistance and homebuyer education for low- and moderate-income families. Last year, the bank facilitated over $1.2 billion in bond offerings that provided critical funding to preserve and develop more than 10,400 homes intended for underserved communities. The bank also has made a $1 billion philanthropic commitment to address housing affordability solutions by 2025.
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Questions for the Record from Chairwoman Maxine Waters
Subcommittee on Diversity and Inclusion Hearing entitled, "The Legacy of George Floyd: An Examination of Financial Services Industry Commitments to Economic and Racial Justice"
Tuesday, June 29, 2020, 3:00 PM

Questions for Ms. Jonay Foster Holkins and Mr. Fabrice Coles, C/O Bank Policy Institute:

Corporate Commitments to Racial Justice

1. In 2020, approximately 200 of Business Roundtable's CEOs released a statement addressing racial inequality in America and included several commitments to advance racial equity.[1] **Ms. Holkins and Mr. Coles,** what are your organizations doing to track the commitments that your member institutions made, and to keep the public apprised on the progress of these commitments?

Business Roundtable (BRT) is an association of 231 Chief Executive Officers (CEOs) of America's leading companies working to promote a thriving U.S. economy and to expand opportunity for all Americans.

On October 15, 2021, Business Roundtable announced a set of corporate actions and public policy recommendations focused on addressing the racial wealth gap. Since that announcement, BRT companies have announced major initiatives including:

- Increasing transparency on corporate diversity through voluntary public disclosure metrics, including hiring and leadership;
- Reforming their hiring and advancement practices and improving equity and diversity through efforts like the Multiple Pathways Initiative;
- Improving access to employment and advancement for individuals with a criminal record through the Second Chance Business Coalition;
- Working to identify employee health benefit practices that may reduce racial health disparities for employees through the Health Equity Benefit Evaluation Initiative; and
- Deepening efforts to learn from and listen to employees, customers and communities about how to be an ally for racial equity and justice.

BRT continues to share information publicly about these initiatives and progress in advancing racial equity.

[1] Business Roundtable, "Advancing Racial Equity and Justice" (2020).

Racial Equity Audits

2. Earlier this year, several institutional investor groups issued shareholder proposals calling for a racial equity audit, which would "identify, prioritize, remedy and avoid adverse impacts on non-white stakeholders and communities of color."[2] Nevertheless, many of your members firms discouraged shareholders from supporting initiatives to require they conduct independent analysis of their diversity and inclusion practices, and business practices that may contribute to systemic racism.[3]

    a. **Ms. Holkins and Mr. Coles**, to what extent do your respective firms and member institutions support racial equity audits as a means to identify how companies may be intentionally or unintentionally contributing to systemic racism and economic inequality? For your members that do not support racial equity audits, what alternatives have been suggested as a means to address how your members may have contributed to racial inequality through their operations and services?

BRT has not taken a position on racial audits. However, some member companies are conducting meaningful internal reviews. Other members have taken steps to increase diversity in underrepresented areas of their business such as supply chain and management.

    b. **Ms. Holkins and Mr. Coles,** how have your member institutions created metrics and specific objectives around recruitment, retention, and promotion of diverse talent?

BRT members support, as a leading practice, voluntary public disclosure of key diversity metrics on at least an annual basis, including board diversity, senior executive diversity, workforce diversity and supplier diversity. Ninety member companies are now sharing their progress on the BRT updated diversity, equity and inclusion webpage.

BRT companies recognize the importance of supporting a pipeline of diverse talent in their workforce and increasing diversity in corporate leadership, including the C-suite. To increase minority recruitment, retention, and promotion in the corporate workforce, BRT has partnered with the Thurgood Marshall College Fund to develop a program to recruit diverse students attending Historically Black Colleges and Universities (HBCUs). Through the partnership, BRT companies will provide scholarships, internships, and professional development opportunities to HBCU students and open pathways to employment and advancement.

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[2] Ben Maiden, "Investor groups probing issuers on racial equity messaging this proxy season," *Corporate Secretary* (Jun. 17, 2021).
[3] Levi Sumagaysay, "Citigroup, Wells Fargo, Bank of America, Goldman Sachs, JP Morgan urge shareholders to vote against racial-equity audits," *Market Watch* (Mar. 17, 2021).

3. According to a study by Creative Investment Research, "American companies pledged $50 billion toward racial equity following Floyd's murder," but to date "only $250 million has actually been spent or committed to a specific initiative.[4]

    a. **Ms. Holkins and Mr. Coles,** why has less than one percent of pledged funds been spent more than one year following the death of George Floyd? To what extent do corporations who fail to honor their pledges face reputational risk for failing to honor those commitments?

In the year since BRT's announcement, BRT companies have made substantial changes internally and with partners to address racial equity. We are continuing to see enormous progress in implementing the initiatives and are confident that BRT member companies will meet their financial commitments and contribute to long-term, sustainable change.

Advancing Equity from Within – Diversity & Inclusion Practices

4. Companies are facing increasing demands from stakeholders for accountability regarding "pay, hiring, retention and promotion by race and gender, and their investors want to know if diversity initiatives are actually working."[5] Section 342 of the Dodd Frank Act tasks the Offices of Minority and Women Inclusion (OMWIs) at the financial regulatory Agencies with accessing the diversity and inclusion performance of regulated entities. Unfortunately, ten years after the enactment of the law less than 80% of regulated entities voluntarily share their diversity and inclusion performance data with their prudential regulator.

    a. **Ms. Holkins and Mr. Coles,** to what extent does the Bank Policy Institute and Business Roundtable support the mandatory disclosure of diversity and inclusion performance data by covered financial institutions? To what extent do your organizations support and encourage your member institutions in disclosing diversity data to their regulators? How can shareholders and investors of your member institutions be assured that your companies are making a good faith effort toward full diversity and inclusion amongst its workforce and in its business practices?

As part of our Racial Equity and Justice efforts on employment, BRT members support voluntary public disclosure of key diversity metrics on at least an annual basis, including board diversity, senior executive diversity, workforce diversity and supplier diversity. Ninety BRT member companies are now sharing their progress on the BRT updated diversity and inclusion webpage.

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[4] Marco Quiroz Gutierrez, "American companies pledged $50 billion to Black communities. Most of it hasn't materialized," *Fortune* (May 6, 2021).
[5] Levi Sumagaysay, "Companies that declared solidarity after George Floyd killing may be 'woke washing,' shareholder advocates warn," Market Watch (May 29, 2021).

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