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May 1, 2019

The Honorable Joyce Beatty  
Chairwoman  
Subcommittee on Diversity and Inclusion  
Committee on Financial Services  
United States House of Representatives  
Washington, DC 20515

The Honorable Ann Wagner  
Ranking Member  
Subcommittee on Diversity and Inclusion  
Committee on Financial Services  
United States House of Representatives  
Washington, DC 20515

Dear Chairwoman Beatty and Ranking Member Wagner:

On behalf of America's credit unions, thank you very much for holding today's hearing entitled, "Good for the Bottom Line: The Business Case for Diversity and Inclusion." The Credit Union National Association (CUNA) represents America's credit unions and their 115 million members. We respectfully submit this letter for the record of the hearing.

### **Credit Unions Are Committed to Advancing Diversity, Equity and Inclusion**

Credit unions value and embrace diversity, equity, and inclusion (DEI) and have a long history of serving underserved and diverse communities. Advancing DEI is an explicit priority of credit union leadership, including CUNA's Board of Directors which has taken steps to ensure the association's governance processes and workforce reflect these principles. Further, CUNA has committed to be a thought-leader on DEI for credit unions. Together, CUNA, the state credit union leagues and associations, credit union service organizations and credit unions are working to deepen DEI in the credit union industry at both the organizational and member levels.

There is momentum around DEI at credit unions manifested in efforts to benchmark, set operational goals, and measure credit union workplace diversity, equity, and inclusion; research how credit unions are reaching and serving diverse populations; standing-room only DEI panel discussions at major credit union conferences; and commitments from leadership to make DEI a priority.

This is happening in the context of rapid demographic change in the United States, which translates into an increasingly diverse workforce and credit union membership. By 2044, people of color will become the majority in the United States.<sup>1</sup> Increasing awareness of this demographic change and the diversity and inclusion issues that it elevates is a factor driving efforts to make DEI a priority and an important part of organizational culture at credit unions.

Credit unions understand that as the face of our workforce and nation changes, the ways in which credit unions engage with both needs to change. Deepening DEI in the credit union movement brings with it the opportunity to remain relevant by continuing to help credit union members prosper and bolster competitive advantage in a quickly changing marketplace.

### **The Business and Credit Union Values Case for Diversity, Equity and Inclusion**

Credit unions recognize that there is a strong business case for DEI. Three decades' worth of compelling research shows that organizations with diverse leaders tend to perform better, are more innovative, and are more successful at

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<sup>1</sup> <https://www.census.gov/newsroom/blogs/random-samplings/2014/06/nation-to-become-a-plurality-but-some-areas-already-are.html>

attracting and retaining top talent, and organizations that advance people from underrepresented groups perform better and are better able to serve the needs of diverse customers.<sup>2</sup>

For credit unions there is also an important values case for DEI. Credit unions' commitment to upholding the credit union mission of "promoting thrift and providing access to credit for provident purposes for their members, especially those of modest means" and reaffirming the credit union difference motivates their DEI efforts.<sup>3</sup>

DEI is deeply aligned with credit unions' principles of "democracy and voluntary membership without discrimination", and in credit unions' unique structure—credit unions are member-owned, democratically controlled, and not-for profit, which ensures that credit unions' success is bound up in the success of its members and their communities. Maurice Smith, CUNA's immediate past chairman, recognized this and challenged credit unions to modify the seven cooperative principles—a set of core principles and values established in the mid-19<sup>th</sup> century that guide cooperatives—by adding diversity and inclusion as the eighth cooperative principle.<sup>4</sup>

### **Credit Unions Lead the Way on CEO Gender Diversity and Strive to Bolster Racial and Ethnic Diversity**

Credit unions are unique in the marketplace and lead the way when it comes to gender diversity with 52% of credit union CEOs being women.<sup>5</sup> By comparison, in the United States, only 6% of Fortune 500 company CEOs are women and approximately 5% of bank CEOs are women.<sup>6</sup> Globally, the International Monetary Fund reports that less than 2% of financial institutions' CEOs are women.

Women CEOs are relatively more common at smaller institutions across the financial services industry, suggesting that women CEOs continue to face a glass ceiling. That said, our research finds no evidence of a gender pay gap for credit union CEOs after accounting for differences in asset size—so, within each asset size, there are no differences in the compensation of male and female CEOs.<sup>7</sup>

At the same time, credit unions acknowledge that there is more work to be done. CUNA's initial efforts to benchmark racial and ethnic diversity within credit union leadership reveals that the overwhelming majority of credit union leadership is White.<sup>8</sup> Credit unions acknowledge that increasing diversity of credit union leadership is critical, and we understand that we must be intentional about increasing diversity and inclusion at leadership, board, and staff levels to continue to reach and better serve an increasingly diverse population.

### **Credit Unions Reach and Serve Diverse Members**

It is well documented that diverse and often underserved communities face several barriers when it comes to access to financial services. Among these barriers is geographic access to financial institutions. Credit unions are doing their part to reduce these obstacles to financial inclusion by locating a relatively higher proportion of their branches in diverse and underserved areas. For example, research we have conducted in collaboration with the University of

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<sup>2</sup> See, for example, Michelle Kim, "Compilation of Diversity and Inclusion Business Case Research Data," *Awaken Blog*, March 2018. <https://medium.com/awaken-blog/compilation-of-diversity-inclusion-business-case-research-data-62a471fc4a42> McKinsey and Company, "Diversity Matters," November 2014.

<https://www.mckinsey.com/~/media/mckinsey/business%20functions/organization/our%20insights/why%20diversity%20matters/diversity%20matters.ashx> Herring, Cedric. "Does Diversity Pay? Race, Gender and the Business Case for Diversity," *American Sociological Review*, 2009, Vol. 74 (April: 208-224). Bourke, Juliet and Bernadette Dillon, "The Diversity and Inclusion Revolution: Eight Powerful Truths," Deloitte, January 2018. <https://www2.deloitte.com/insights/us/en/deloitte-review/issue-22/diversity-and-inclusion-at-work-eight-powerful-truths.html>

<sup>3</sup> Federal Credit Union Act 14 USC 12 § 1751.

<sup>4</sup> See <https://www.ncuf.coop/news/press/cooperative-principles-video.cmsx>

<sup>5</sup> van Rijn, Jordan. "Credit Unions and CEO Gender." CUNA Issues Brief, November 2018.

[https://www.cuna.org/uploadedFiles/Global/About\\_Credit\\_Unions/CEO%20Gender%20Policy%20Brief%20-%202011-21-18.pdf](https://www.cuna.org/uploadedFiles/Global/About_Credit_Unions/CEO%20Gender%20Policy%20Brief%20-%202011-21-18.pdf)

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

<sup>8</sup> CUNA 2018 Annual Membership Survey.

Wisconsin's Applied Population Lab finds that credit unions locate a higher percentage of their branches than banks (11.8% vs. 10.5%) in diverse areas (more than 30% non-White).

The most recent Federal Reserve Survey of Consumer Finance (SCF) provides further evidence about how credit unions reach and serve diverse populations. The 2016 SCF demonstrates that credit unions serve approximately the same percentage of households of color as banks (34%). These statistics are particularly laudable considering that, unlike banks, credit union service is restricted by field of membership (FOM) limitations.

The SCF data also paints a disturbing picture of income and wealth inequality in the U.S. It shows that Black/African American household wealth is equivalent to approximately 10% of White household wealth, and Hispanic/Latinx household wealth is equivalent to approximately 12% of White household wealth.

Credit unions contribute to wealth-building for racially and ethnically diverse members by, for example, originating a higher percentage of mortgage loans to Black/African Americans (6.6% vs. 5.2%) and Hispanics/Latinx (7.9% vs. 7.3%) relative to banks.<sup>9</sup> This difference may be, in part, because credit unions also receive a higher percentage of mortgage applications from African Americans, Hispanic non-Whites, and other minority<sup>10</sup> groups than banks—suggesting that these groups may find credit unions more appealing when it comes to mortgage borrowing.

Credit unions share of the U.S. auto loan market has steadily increased from approximately 21% in 2003 to nearly 30% in 2018. SCF data shows that all racial and ethnic groups saved on average 1 percentage point on their credit union auto loan interest rates when compared to other financial institutions, and people of color saved significantly more (on average 1.6 percentage points). Given the wealth disparities experienced by people of color, this represents a significant benefit for this group.

In addition, in 2018, nearly 10% of all credit unions were Minority Depository Institutions (MDIs).<sup>11</sup> Credit union MDIs served 3.9 million members and generated \$311 million in direct financial benefits to MDI credit union members. These benefits are equivalent to \$174 per member household.<sup>12</sup>

Through participation in other designations and certifications such as the Low-Income Designation (47% of credit unions),<sup>13</sup> Community Development Financial Institution certification (5% of credit unions),<sup>14</sup> and the Juntos Avanzamos designation, credit unions are further demonstrating a commitment to serve diverse and underserved communities.

### **Credit Unions are Committed to Doing More**

Throughout the credit union system, there are notable, conscious and intentional efforts to work on the different aspects of DEI, with the goal of improving lives by helping Americans to have access to quality financial services. In addition to action taken by the CUNA Board of Directors to better reflect DEI as a priority in association's governance and workforce, we are working with other organizations in the credit union space to advance DEI priorities system-wide.

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<sup>9</sup> Home Mortgage Disclosure Data (HMDA), 2016. CUNA calculations.

<sup>10</sup> According to HMDA, "Minority Status" combines information reported on race and ethnicity. Minority means all races other than white and whites of Hispanic/Latinx origin.

<sup>11</sup> MDI credit unions are those where more than 50% of their current membership, potential membership, and board members are minorities.

<sup>12</sup> NCUA, 2018 End of Year Call Report Data, CUNA calculations.

<sup>13</sup> A federal credit union qualifies for LID when a majority of its membership (50% + one member) qualifies as Low-Income Members. "Low-income members" refers to members with a family income of 80% or less than the median family income for the metropolitan area where they live or the national metropolitan area, whichever is greater. See <https://www.ncua.gov/files/press-releases-news/LowIncomeDesignationFactSheet.pdf>

<sup>14</sup> Community Development Financial Institution (CDFI) designated credit unions provide financial services to low-income communities and people who lack access to financing. For more details, see <https://www.ncua.gov/files/publications/resources-expansion/cdfi-faq.pdf>

For example, four credit union-focused organizations -- PolicyWorks, Inclusive (formerly the National Federation of Community Development Credit Unions), the Filene Research Institute and Coopera have partnered to offer a series of free workshops for credit unions on lending inclusivity and how to deploy a successful ITIN lending strategy—a pathway to financial access to otherwise excluded and marginalized consumers. These groups and others are working with CUNA to organize a resource portal that credit unions can access to understand DEI issues and develop strategies.

The credit union system has several organizations which focus on developing and advancing DEI within credit unions and help credit unions reach diverse communities. CUNA and Coopera have a strategic alliance partnership for Hispanic market outreach. The African American Credit Union Coalition is an organization of African-American credit union professionals and volunteers dedicated to increasing diversity within the credit union community through advocacy and professional development. Similarly, the Network of Latino Credit Union and Professionals is dedicated to serving and empowering the Latino community with financial and development services. The World Council of Credit Union's Global Women's Leadership Network is dedicated to addressing and facilitating greater gender balance in leadership positions at credit unions around the world. Inclusiv, the National Credit Union Foundation and Filene each work to facilitate credit union service to low-wealth, modest means households.

Together and cooperatively, these organizations and their efforts are making an impact now and provide the foundation for credit union system to do even more to promote and advance diversity, equity and inclusion within the governance of credit unions, the credit union workforce, and credit union membership.

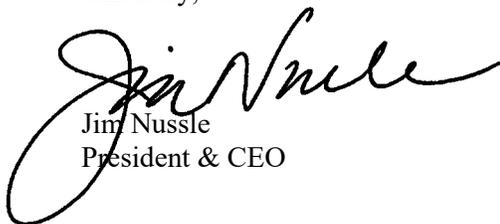
### **Conclusion**

Despite field of membership restrictions and limitations, credit unions are doing a good job of reaching and serving diverse populations—but there is room to do better. An increasingly diverse marketplace means credit unions must deepen their reach and continue to invest a deeper understanding of diverse groups to develop tailored products and services to better serve them.

As the premier association representing America's credit unions, the Credit Union National Association is uniquely positioned to unify the credit union movement. We are committed to use our role as thought-leader and unifier to advance awareness of the critical importance of – and strong business case for -- diversity, equity and inclusion, provide supportive training and education to our member credit unions, and enable networking opportunities to provoke thoughtful dialogue and action.

On behalf of America's credit unions and their 115 million members, thank you very much for holding today's hearing. We look forward to working with you on this critical issue.

Sincerely,



Jim Nussle  
President & CEO