

September 8, 2020

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

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

Dear Chairwoman Beatty and Ranking Member Wagner:

On behalf of America's credit unions, I am writing regarding the subcommittee's hearing titled, "Holding Financial Regulators Accountable for Diversity and Inclusion: Perspectives from the Offices of Minority and Women Inclusion." The Credit Union National Association (CUNA) represents America's credit unions and their 120 million members.

### **Credit Unions are Committed to Advancing DEI**

CUNA and our credit union members share the House Committee on Financial Service's commitment to increasing diversity and inclusion in the financial services sector. In line with that commitment, last year CUNA's Board of Directors voted to add diversity, equity, and inclusion (DEI) to the core set of cooperative principles that guide the work of America's credit unions. That decision was based on acknowledgement of the fact that DEI, while an integral part of each cooperative principle, is so important that it deserves to have separate recognition and a commitment on the part of the credit union movement. Significantly, this action by the CUNA Board elevates this priority for the movement.

There is still more work to be done. And the nation's 5,300 credit unions are committed to enhancing diversity, equity, and inclusion in our member-owned, democratically controlled, not-for-profit financial cooperatives. This commitment manifests itself in several ways, including research efforts to establish a baseline and eventually measure changes in diversity, equity, and inclusion at credit unions;<sup>1</sup> the establishment of the Credit Union DEI Collective—a network of credit union system partners, including the National Credit Union Administration (NCUA)—which is dedicated to deepening DEI in the credit union movement; a large and growing number of educational opportunities to support credit unions on their DEI journey; and CUNA hiring a Vice President for Diversity, Equity, and Inclusion to lead its DEI efforts. Significantly, the NCUA held its first annual DEI summit, which was attended by approximately 150 credit unions.

### **One-Size Regulation Does Not Fit All**

Section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act requires the Director of each federal financial regulator's Office of Minority and Women Inclusion to develop standards for "assessing the diversity policies and practices of entities regulated by the agency."<sup>2</sup> In 2015, the federal financial regulators collectively adopted and released the "Final Interagency Joint Standards for Assessing the Diversity Policies and Practices of Entities Regulated by the Agencies."<sup>3</sup> In adopting the guidance, however, the Agencies specifically rejected the notion that diversity and inclusion standards could be uniformly applied to financial institutions using a one-size fits all approach. Instead, the final policy included the following statement:

<sup>1</sup> See for example, van Rijn, Jordan. "[Credit Unions and CEO Gender](#)." CUNA Issues Brief, July 2019.

<sup>2</sup> 12 U.S.C. §5452 (2019).

<sup>3</sup> 80 Fed. Reg. 33016 (June 10, 2015).

*The Agencies recognize that each entity is unique with respect to characteristics such as its size, location, and structure. When drafting these standards, the Agencies focused primarily on institutions with 100 or more employees. The agencies know that institutions that are small or located in remote areas face different challenges and have different options available to them compared to entities that are larger or located in more urban areas. The Agencies encourage each entity to use these standards in a manner appropriate to its unique characteristics.*<sup>4</sup>

Today's Committee hearing is focused on holding financial regulators accountable. The Committee's report released in conjunction with the hearing addresses Office of Minority Women and Inclusion's (OMWI's) Joint Standards for voluntary D&I data disclosure.<sup>5</sup> CUNA and our member credit union are very concerned by the fact that the "Promoting Diversity and Inclusion in Banking Act" and "Diversity Data Accountability Act" as currently written apply to all financial institutions without any regard to size or other unique characteristics. That has especially troubling implications for credit unions, which while considerably smaller than banks would be held to the same data reporting, public disclosure, and board diversity requirements. The median assets under a credit union's management is \$38 million<sup>6</sup> while the median assets held by a bank is \$242 million.<sup>7</sup>

By comparison, credit unions have significantly less resources to do the same reporting requirements as banks and, accordingly, should not be judged using identical assessment criteria or subjected to identical obligations.

The Agencies focused their assessment on institutions with 100 or more employees when recommending the reporting of employment diversity and inclusion data and implementation of personnel best practices, like the employment of a senior level executive focused on diversity and inclusion.<sup>8</sup> Yet, 87 percent of all federally insured credit unions employ less than 100 employees.<sup>9</sup> As a result, these entities are currently not even required to annually collect or report workforce diversity data under Title VII of the Civil Rights Act of 1964 as part of the Employer Information Report.<sup>10</sup>

Thus, the Committee's current legislative proposals to require employment diversity data from all institutions, without regard to staff size, would impose significant new data collection and reporting obligations on the overwhelming majority of credit unions, even though these institutions collectively employ only one quarter of all employees working at federally insured credit unions today.<sup>11</sup> We urge the Committee to reconsider this approach.

### **Increasing Diversity, Equity, and Inclusion Must be Intentional**

CUNA and its members are committed to ensuring that diversity, equity, and inclusion continue to play a meaningful role throughout every aspect of the financial services sector. We recognize that credit unions and all in the financial services sector, including our regulators, 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.

That said, CUNA supports the Diversity in Financial Regulatory Advisory Committees Act, the Federal Home Loan Bank Board Diversity Act, and Federal Reserve Bank Board Diversity Act. These pieces of legislation would require the consideration of at least one individual reflective of gender diversity and one individual reflective of racial or ethnic diversity when filling advisory committee vacancies, any vacancy of the Federal Home Loan Bank boards of directors, and any vacancy of the Federal Reserve bank board of directors, respectively.

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<sup>4</sup> Id. at 33023.

<sup>5</sup> Majority Staff, "Diversity and Inclusion: Holding America's Large Banks Accountable," at 3, U.S. House of Representatives Committee on Financial Services (February 2020).

<sup>6</sup> Credit Union National Association (CUNA), "U.S. Credit Union Profile, First Quarter 2020," based on NCUA Call Report data (March 2020).

<sup>7</sup> Federal Deposit Insurance Corporation (FDIC), Statistics on Depository Institutions (June 30, 2020).

<sup>8</sup> 80 Fed. Reg. at 33023.

<sup>9</sup> NCUA, Call Report (March 2020), CUNA calculation.

<sup>10</sup> See SECTION 709(c), TITLE VII, CIVIL RIGHTS ACT OF 1964.

<sup>11</sup> NCUA, Office of Minority and Women Inclusion 2018 Annual Report to Congress at 31 (March 2019).

**Conclusion**

We hope this letter highlights our concerns with some of the Committee's current proposals, while underscoring our shared commitment to improving diversity and inclusion in the financial services sector. We appreciate your consideration of our views and welcome the opportunity to work with the Committee to ensure that the financial services sector is reflective of the diversity that exists within our nation.

On behalf of America's credit unions and their 120 million members, thank you for holding this important hearing.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Nussle". The signature is fluid and cursive, with a large loop at the end.

Jim Nussle  
President & CEO