April 2017

Diversity and Inclusion in the Mortgage Industry: Readout from an Opening Roundtable

![cfpb Consumer Financial Protection Bureau]

Message from Richard Cordray

Director of the CFPB

Diversity and inclusion have been foundational principles at the Consumer Financial Protection Bureau since we were created in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. In particular, Section 342 of the Act created Offices of Minority and Women Inclusion (OMWI) at all of the federal financial regulatory agencies, including the CFPB. The OMWIs are responsible for promoting diversity and inclusion in employment and procurement practices at their own agencies, and for doing so within the financial entities they regulate.

The Bureau views diversity and inclusion as integral to its mission. Since we opened our doors in July 2011, they have been key components of both our mission work and our operational processes. We have developed a strong business case for diversity, and we are now seeking faithfully to see that these principles guide the work of the Bureau.

Diversity and inclusion principles are critical to the Bureau's work because we are required to support and protect all consumers – approximately 320 million of them – all across America. As we seek to improve their financial lives, we must reflect and understand the breadth and particularity of the public as a whole. The business case for diversity and inclusion rests on the view that we can best serve the many diverse communities that make up the growing American populace, especially those that were historically overlooked, by reflecting diverse backgrounds and experiences in our own ranks. Applying these principles allows us to tap into a broader pool of talent and draw on new perspectives from employees, vendors, and communities.

It should be obvious, however, that the same is true of financial entities themselves. They too aim to serve all Americans with the kinds of products and services they need to support and

enhance their financial lives. As their customer base changes, and notably becomes more diverse, there is ample business opportunity in making sure these new and growing market segments are being well served. And a diverse and inclusive workforce is one key to connecting with this changing customer base. In short, regulated financial entities are likely to benefit from considering and adopting practices that will help them improve diversity and inclusion in their workforce and operations.

That was the kernel of thought that prompted the CFPB to reach out to the Mortgage Bankers Association (MBA) and suggest that we work together to convene a roundtable of leading companies and officials to discuss issues of diversity and inclusion in the mortgage industry. We had noted the MBA's work on diversity in the mortgage industry, and we viewed them as a potential partner to develop greater visibility and focus on these issues. As a result of these discussions, we convened a meeting with mortgage industry representatives in November 2016, to consider various initiatives they are pursuing on diversity and inclusion. We were joined by OMWIs from some of the other financial regulators as well. The participants are already making it a point to grapple with the complex issues raised by the rapidly changing demographics of this country. A growing number of them have successfully launched diversity and inclusion programs of their own. The participants confirmed that these programs support the business case for diversity and inclusion and align to their business objectives. Their experiences can help stimulate others within the financial services industry as they become more conscious of the advantages of building out diversity and inclusion programs as an integral part of their workplace operations.

Participants spoke about how they engage with consumers and how diversity and inclusion enhance those interactions and spur product innovations to help them gain a competitive advantage. They also said leadership buy-in is essential in supporting the business case for diversity, and they spoke about the support they get from their own leadership.
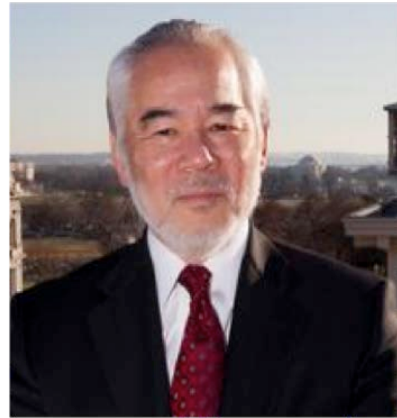
We hope that this initial meeting will serve as a catalyst for the OMWIs and financial providers to work together to share their diversity and inclusion efforts and continue this dialogue with a broader range of entities to generate further interest.

Sincerely,

Richard Cordray

Richard Cordray

Message from Stuart Ishimaru

Director of the OMWI

We are pleased to share some initial takeaways from our first convening with members from the mortgage industry on diverse and inclusive workplaces.   This meeting was the first of several that we plan to host as we collaborate with the financial services industry to raise awareness about the importance of strengthening diversity and inclusion within organizations.

During the meeting I was pleasantly surprised by the frank and open discussion about the complexities involved in building diverse and inclusive organizations. The hard work of promoting diversity and inclusion is challenging, requiring continuous focus to engage employees, hold people accountable, and strike the right balance based on the size and resources of the organization. Many participants were happy to share their innovative programs that resulted in successful diversity outcomes. They were also forthcoming about the challenges and offered ideas to address them.   I was impressed by their commitment to creating diverse and inclusive workplaces and expanding services to a broader and more diverse pool of consumers.

This report covers what we heard at our first convening and highlights practices to build and sustain diverse and inclusive workplaces. The Bureau plans to hold more such meetings with others in order to help the financial services industry cultivate improved diversity and inclusion.

Sincerely,

Stuart Ishimaru

1. Introduction

Section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act created Offices of Minority and Women Inclusion (OMWI) at each of the federal financial regulatory agencies, including the Consumer Financial Protection Bureau.[*] The OMWIs are responsible for all matters relating to diversity in management, employment, and business activities at the agency. Specifically, the OMWIs are responsible for creating standards for: (1) equal employment opportunity and diversity at the agency, (2) increasing participation of minority- and women-owned business at the agency, and (3) assessing the diversity policies and practices of entities regulated by the agency.

The agencies created standards for assessing diversity policies and practices of regulated entities in 2015 (Joint Standards, included in Appendix A). The agencies worked together to jointly develop these standards in an effort to avoid duplication. The standards are not mandatory, but they do provide a more specific framework for regulated entities to self-assess their diversity and inclusion policies and practices and voluntarily share this information with the appropriate OMWI.

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[*] Along with the federal financial regulatory agencies [Office of the Comptroller of the Currency, (OCC), Federal Deposit Insurance Corporation (FDIC), Federal Reserve Board of Governors, National Credit Union Administration), and CFPB], the Act established OMWIs in the Departmental Offices of the Treasury Department, each of the Federal Reserve regional banks, Federal Housing Finance Agency (FHFA), and Securities and Exchange Commission (SEC).

For purposes of the Joint Standards, regulated entities are asked to share information about their diversity and inclusion practices with their "primary federal financial regulator." Thus, banks regulated by both the Bureau and the prudential regulators are asked to share information with their banking regulator (i.e. the Office of the Comptroller of the Currency (OCC), the Federal Reserve Board of Governors, the Federal Deposit Insurance Corporation (FDIC), and the National Credit Union Association (NCUA)). Non-bank entities share their information with the Bureau. The Bureau chose to focus its initial activities on the mortgage sector because mortgage industry trade groups and their member institutions have been active in this area in recent years by sponsoring events, creating coalitions, and developing materials to encourage diversity and inclusion within the mortgage industry. Some institutions have long engaged in diversity and inclusion initiatives within their own organizations, while others have more recently increased their focus on the importance of diversity and inclusion to their business success and have created their own programs. These diversity and inclusion efforts have been notable as showing what can be done in the financial services industry as a whole.

This meeting provided the Bureau with information about current diversity and inclusion activities within this important part of the financial services industry. It also provided a forum to share these practices with other sectors that may not have addressed these challenges in the same ways. This report is intended to summarize what the Bureau learned and to share some of the diversity and inclusion practices used by these participants in the mortgage industry. It is not, however, intended to be an exclusive or comprehensive list of diversity and inclusion practices, and entities are encouraged to develop other programs that may best fit the particular needs of their own organizations. It is also not intended as formal guidance or to be taken as an authoritative interpretation of the Joint Standards, but rather is a chance to share information.

The Bureau hopes and expects to hold a number of conversations between the OMWIs and different segments of the financial services industry to discuss diversity and inclusion opportunities and challenges. The Bureau intends for these conversations to serve as useful sources of information and sharing of ideas for financial services organizations, and to assist the agencies and their OMWIs in the work they are doing to assess these practices.

2. Mortgage Industry Diversity and Inclusion Roundtable

On November 16, 2016, the Bureau collaborated with the Mortgage Bankers Association (MBA) to host a roundtable with mortgage industry representatives to discuss diversity and inclusion initiatives and practices within their organizations. Those taking part were from institutions of varying size, market share, and market segments. The CFPB OMWI wanted to create an open dialogue to learn more about how certain entitites are addressing diversity and inclusion as a way to help others consider how they can create and sustain diverse and inclusive organizations. Participants shared their respective challenges and successes. They discussed their views about successful diversity and inclusion management practices, such as the importance of buy-in from top leadership, the business case for diversity and inclusion, the value of employee feedback through employee groups and surveys, the impact of diversity on market share, and the like.

Participants came from the largest banks, from smaller and mid-sized institutions, and from non-bank financial companies. Some participants were the primary executive leaders of their organizations and others led the mortgage banking, neighborhood lending, Community Reinvestment Act, or human resources work within their organizations. Representatives from the MBA also participated.   In addition, OMWI staff from the OCC, FDIC, Federal Reserve Board of Governors, and the Federal Housing Finance Agency (FHFA) also attended and observed the meeting to add to their ongoing efforts to work with the entities they regulate.   The participants shared diverse perspectives at the meeting, including those with decades of experience in the finance industry, human resources, and civil rights issues.   They provided unique viewpoints on the business cases for diversity and inclusion in the mortgage industry.

The summary of the industry initiatives and practices are anonymized and oftentimes consolidated, and should not be attributed to any one organization.

3. Diversity and Inclusion

3.1   Leadership Buy-in

The importance of buy-in from top leadership was consistently emphasized at the roundtable. Many participants talked about and praised the commitment their organizational leadership has made to diversity and inclusion. Some noted that without leadership commitment, it is almost impossible for an organization to sustain a successful diversity program.

The leader of one organization shared more details about the top leadership's personal commitment to diversity and inclusion which permeated throughout the organization, thus encouraging widespread adoption of diversity principles and practices. Another organization explained how the buy-in of senior leadership to diversity and inclusion set the tone within the organization, and provided proponents of diversity and inclusion at various levels of the organization the leverage to develop and carry out successful programs.

As one participant noted, a top-down approach to diversity and inclusion reduces resistance. When leaders define their expectations related to diversity and inclusion and clearly articulate its importance to business success and alignment with business goals, employees were more likely to understand the rationale and show support. In addition, participants said diversity and inclusion training for employees at all levels can teach how each employee can be an active participant in an organization's diversity and inclusion efforts.

Several participants described how it is crucial to foster an environment where employees know that diverse perspectives are welcomed and where leaders actively seek diverse viewpoints as part of their everyday business. Leadership buy-in alone does not negate the need for employee buy-in. Participants noted that it is important for employees at all levels to receive training on diversity and to learn more about how they can contribute to and be active participants in an inclusive workplace .

3.2 Defining Diversity and Inclusion Within the Organization

During the roundtable, participants discussed the need to flesh out a definition for diversity and inclusion and to make clear how those terms are defined so that employees and consumers can more clearly understand the broad nature of diversity and inclusion. Employees, in particular, need to feel welcomed and included as part of an organization's diverse framework.

One participant noted that many employees felt that diversity programs were for people of color, and that such programs appeared to be designed to not include non-minorities. Participants emphasized that organizations should be mindful of how the definition of "diversity" (or the absence of a definition) can affect employee perceptions. Diversity encompass what makes each person unique and includes many different factors that make people who they are and shape how they approach challenges and opportunities from varying perspectives. Diversity extends far beyond the visible differences between employees, and no single definition is suitable. Participants stressed the importance of defining diversity and inclusion more broadly to include the characteristics of all employees to encourage them to embrace their differences and understand how their own diversity may influence their perspectives. Participants pointed to definitions that take into account personality type, work style, language, race, ethnicity, ability, disability, sexual orientation, gender identity, age, religion, and other factors. Coming up with a suitable definition includes differences that matter to employees and the organization, and it is important for all employees to be able to see themselves included in these definitions. This understanding is necessary to allow all employees to take ownership of the organization's diversity initiatives.

3.3 Developing a Business Case for Diversity and Inclusion

Many of the participants talked about their organization's business case for diversity and inclusion, which generally meant greater understanding of the ways that diversity and inclusion strengthened the organization and led to a more positive and productive workplace that improved overall performance. The discussion revealed that many of the organizations had thought through why diversity and inclusion was important to them, how it was an important factor to improve their business outcomes, and how the changing demographics within the country had an impact on how they do business.

When creating the business case for diversity, the participants said they began by analyzing whether they had the talent and perspectives necessary to solve complex and new problems, create innovative solutions, and improve business outcomes. Diversity provided additional perspectives which helped to challenge assumptions and increase individual creativity and independent thought that might otherwise be minimized by the "groupthink" of organizations where employees are all very similar in thought and background. The participants had no doubt that when managed properly, diverse teams can have a quantifiable positive effect on business performance. By improving organizational effectiveness and creating innovative products and services that can improve business outcomes and better meet the financial needs of a diverse customer base, participants said that diversity and inclusion becomes a business imperative.

The participants said they understood the need to diversify their employee base in order to more effectively meet the needs of diverse consumers, as well as to capitalize on a robust and diverse talent pool. They talked about how considering diversity and inclusion allowed them to align and expand their business goals and objectives, helping them tap into new market segments. Thinking about how to value and leverage the potential of all employees provided a blueprint for their organizations to engage with new consumer segments and to create new and innovative products and services that met organizational goals. Participants noted that when the diversity of the workforce is aligned with the demographics of targeted consumers, there is a greater likelihood of increasing the kinds of connections (such as product offerings, customer interactions, and services) that expand business opportunities.

Several of the participants shared information about some of the innovative product offerings and research capabilities that they had developed to capture new and expanded customer bases. In general there was a high acceptance of the business case for diversity and many organizations cited the need for institutionalizing such practices by constructing a more long-term strategy. Some organizations said they were much further along than others in terms of leadership acceptance of the business case for diversity, and had well-developed programs, yet they noted that it takes time to effectively implement and execute such a strategy.

Participants spoke about the changing demographic landscape and how different strategies and products may be needed for different groups of consumers. For example, participants discussed the different needs of both millennials (who are purchasing their homes later in life than past generations) and certain minority groups (who may take a longer time to save for a down payment), and how certain tendencies may converge. They commented that some of their existing approaches and products did not seem to meet the needs of these consumers, and that new approaches are being considered.

3.4 Accountability

Roundtable participants talked about the different governance structures they had experienced for addressing issues of diversity and inclusion within their organizations. The Bureau learned that in some instances the Human Resources Director manages the diversity and inclusion initiatives at the organization. In other organizations, a Diversity Manager or an executive-level Chief Diversity Officer is tasked with overseeing these responsibilities.

Wherever the responsibility may lie, participants believed proper accountability creates a focus that directs these efforts to the goals set by the management, such as programs, initiatives, processes, consumers, products, metrics, or other factors. Where there is greater accountability for these issues, the organization will be more effective in accomplishing the goals of achieving diversity and inclusion. Participants said accountability shows everyone in the organization what is deemed important and requires its leaders to take ownership of diversity and inclusion.

One organization noted that its diversity and inclusion framework developed differently by growing up from the grass roots before moving into higher levels of the organization. Another participant noted that its business-line management was the first to embrace and take the lead on diversity and inclusion issues as a conscious strategy to create and access new markets.

Business-line managers and executives shared that they regularly engage in diversity programming as a means of identifying and supporting new business opportunities.

The Bureau learned that various divisions or departments may be engaged in diversity and inclusion activities, and different approaches can work as long as there is some form of centralized accountability. Resource constraints may prevent managers from doing all they can to advance diversity and inclusion, yet participants consistently stressed the importance of support from senior leadership and the need to own the strategy across the organization.

3.4.1 Regular/Topical Meetings

Participants noted that, in many cases, diversity and inclusion programs are being implemented broadly across the organization. They found it important to engage in regularly scheduled collaborative meetings to discuss the various initiatives in order to find synergies. Participants shared that some initiatives were led by business-line managers while others were led by human resources or diversity managers. For example, within the same firm the mortgage origination group may engage in diversity recruiting and the neighborhood lending group may conduct research on market share demographics, yet they may not know what each other is doing. Participants said regularly-scheduled meetings among those engaged in diversity and inclusion efforts facilitate the exchange of information and spur new ideas. Regular meetings also systematically incorporate this dialogue across the organization to sustain opportunities to advance diversity and inclusion at the forefront.

3.4.2 Manager Accountability

During the roundtable, participants said accountability among managers is especially important to achieve diversity and inclusion, and often leads to progress towards business goals. For example, they noted that managers may be evaluated on such factors on whether they are creating a diverse workforce, building a pipeline of diverse candidates for leadership positions, serving diverse markets, and utilizing diverse suppliers.

Participants noted that organizations that are able to successfully align their management evaluations to diversity initiatives can create individual accountability for diversity and

inclusion. Evaluating manager performance is motivational and leads to greater focus on diversity and inclusion efforts. These evaluations also serve to ensure that leaders and employees understand the alignment of diversity and inclusion to the business goals of the organization. Participants said that having such accountability may also influence leaders and managers to engage in more conscious consideration of diversity as they manage employees and engage with consumers.

3.5 Recruiting and Hiring

During the roundtable, participants discussed the challenges of the recent recession and how many institutions had to narrow their focus to keeping their businesses stable under difficult circumstances.   Participants indicated that diversity initiatives, along with many others, were often not prioritized. However, as the economy recovered, organizations reported that they have been working diligently over the past few years to reinvigorate their diversity and inclusion programs, including recruiting and hiring from broader and more diverse talent pools. Some participants shared how they have focused their efforts on seeking and hiring candidates that have direct ties to the communities they serve. Participants also shared the challenges of an aging mortgage industry workforce, the changing demographics that open up a broader talent pool, and the impact of those changes on their recruiting efforts.

One participant acknowledged that their organization had to accept the fact that they had to spend the money to acquire the best talent. Industry participants have also forged partnerships with minority trade organizations as well as local colleges and universities. Some have started internship programs designed to provide information about career opportunities within the mortgage industry in an effort to appeal to and capture the interest of students and recent graduates who may have limited exposure to and understanding of the industry. Other participants continue to utilize and adapt longstanding internship and recruiting programs to access new talent pools.

3.6 Broadening the Customer Base with New Business Products

Some organizations shared that they have expanded their business models or business practices to capture business from diverse and previously untapped consumer segments. Participants said they have marketed existing products to new customers from diverse communities, as well as created new products tailored to meet new needs of these communities. One program focused on lower-income consumers by offering down-payment and closing-cost assistance that went beyond existing government programs. Another participant said their research showed that younger adults are waiting longer to buy a house and that accumulating enough money for a down payment tends to be a key barrier for women. This research led to the organization modifying its offerings to address these realities. Participants indicated that additional research, as well as a broader understanding of the consumer base brought by a more diverse workforce, helped them understand how they could better serve a more diverse consumer base.

Organizations said they benefited greatly from the perspectives of their diverse workforces in understanding how diverse communities manage their finances, save, and use banking services. Others said they learned from their diverse workforces about how the institution could better provide access to financial products through establishing trust, providing counseling and coaching, and allowing for more time. Many organizations discussed expanding the language capability of their employees and the need to hire employees with appropriate multilingual abilities in order to enhance their service to certain segments of consumers.

Participants noted that once the nuances of specific groups of consumers are understood, products and services can be modified or developed based on these unique differences and preferences. This allows organizations to provide greater access to financial products and services, as well as potentially expanding the consumer base. Participants emphasized that committing the resources to acquire a diverse workforce with deeper connections to various communities can help create new products and services that are beneficial to those communities.

3.7 Inclusion, Retention, and Employee Engagement

Roundtable participants talked about the importance of employee engagement and the complexity of diversity and inclusion within organizations. They noted that employee engagement programs that support inclusion are essential to their retention efforts for all employees, and most notably for members of under-represented groups, who tend to leave organizations if they do not feel fully included in its everyday modes of business.

Participants said that creating an inclusive and welcoming organization is essential for managing diversity. They noted that diversity requires an environment that is open to and accepting of different people, perspectives, ideas, and norms. Achieving the level of acceptance to produce a truly diverse and inclusive environment requires active efforts to provide platforms that support broader exposure to different types of people. Programs that provide cross-cultural access for managers and employees such as mentoring, social events, and other employee engagement initiatives build in support for greater exposure to differences. This creates more opportunities for meaningful learning. Participants emphasized that when employees feel welcome, included, and engaged, they tend to stay longer at an organization and to thrive.

Participants learned that they face similar challenges. Many organizations are proactively utilizing employee forums to glean essential information on how to create and sustain a diverse and inclusive organization. One organization created a diversity and inclusion initiative by tapping team members in meetings to seek feedback about the organization's diversity and inclusion efforts. The initiative was focused on "how do we create an environment that makes under-represented people want to work here."

This organization also conducted an engagement survey and conducted meetings to collect employee feedback. They found that they had to probe deeper to obtain information and had to make it a point to approach people who did not speak up during meetings to solicit more feedback on these issues. These discussions often started with Employee Resource Groups or similar networks or with Diversity Councils that consist of employees from across the organization, including all levels, offices, and backgrounds. This led to additional discussions in larger forums of trends and opportunities within the organization. Participants shared how employee networks, in particular, helped their organizations connect with consumers by providing useful information on product offerings.

Participants noted that Employee Resource Groups provide forums for employees to engage with others with similar interests or backgrounds. Employees actively network with one another which often results in mentoring and other professional development efforts. These groups can provide valuable information and the members may collaborate to find creative solutions to organizational challenges. Employee Resource Groups can also provide learning opportunities for its members, the entire organization and even the community by hosting professional development events, conducting community outreach and by serving as an organizational resource for recruiting exceptional talent. Members may also offer helpful insights into the related segment of the organization's current or would-be customers.

In addition, participants noted that Diversity Councils create dedicated time and space for a team of employees and leaders to actively consider diversity and inclusion as an integral part of the business operations of an organization. Participants said members of Diversity Councils serve as champions for diversity initiatives throughout the organization and can help ensure consideration of diversity and inclusion as projects are launching. Members of these councils are often in leadership roles or are considered "influencers" within the organization. Employee Resource Groups and Diversity Councils support retention and engagement of employees by providing opportunities for them to enhance their skills and create synergies with employees from other areas within the organization, all of which contribute to its overall success.

3.8 The Importance of Data

One of the participants shared how they rely on demographic data and trends to inform their efforts in the housing industry. They said they track homebuyer activity and the various preferences, behaviors, and demographics among consumer groups. This data helps to determine how to approach the market in order to access new and different business opportunities. It also solidifies the importance of diversity data in keeping an organization competitive. Participants said data collection and analysis is no less important for diversity and inclusion purposes.

Participants stressed that data collection and analysis play an integral role in supporting an organization's business case for diversity. A thorough understanding of the diversity within the financial industry and available talent pools, the organization's own diversity efforts, and the demographics of the communities being served all contribute to the organization's ability to improve its performance in attracting new talent, obtaining new business, and competing

against its peer organizations. Participants noted that demographic data may be an indicator of whether the organization is making merit-based decisions rather than decisions based on assumptions and stereotypes. Data that analyzes workforce demographics on such matters as retention, attrition, training, and promotion helps organizations understand what resources may be necessary to ensure that employees are productive and engaged. Data on qualified talent pools within the civilian labor force (including sources such as the American Community Survey and Current Population Survey) can also provide information on whether the organization is recruiting broadly enough, and also may provide information on where to recruit to find the best talent for positions. Participants said that understanding the demographics of an organization's workforce is necessary to ensure that it reflects the available talent pools and remains competitive.

Participants also noted that data on market share, consumer behaviors, identified gaps, demographic trends, and population growth can provide essential information to support the business case for diversity and business goals.

3.8.1 Employee Surveys

Many participants spoke positively about obtaining feedback through employee engagement surveys and other methods that measure numerous factors to determine how employees perceive their organization. One participant pointed out that while it takes time and resources to sift through the data from surveys, an organization needs to continuously dissect the data in order to truly understand these issues and find ways to tackle challenges.

Participants said it can be hard for management to fully understand and monitor the progress of diversity and inclusion efforts, as well as their success. Focus groups of employees can provide more in-depth insight into employee perception of the organization. This valuable feedback loop may provide information that goes well beyond diversity and inclusion issues. Necessary adjustments can be made as a result of the feedback, and can affect the organization's overall success.

3.9 Promotion/Advancement Opportunities

To support the goal of greater inclusion, participants said it is important that all employees understand the paths to advancement within an organization, and that leaders and managers

must communicate broadly with employees about the requirements necessary to attain additional responsibilities, be assigned to key projects, or be promoted within an organization. One participant shared an example of a manager who thought he was being mindful of his employee's needs by not assigning projects that required extensive overtime, including late nights, because of the employee's family obligations. Although the manager intended to show sensitivity to the employee's work/life issues, the employee was actually being excluded from advancement opportunities. The participants stressed the need to provide employees with opportunities both to volunteer for and to opt out of stretch assignments, in order to ensure fair access to promotional opportunities. Participants noted that when all employees understand what is required to succeed, they can feel better and less resentful about the advancement of their colleagues and also know how they can be more effective in achieving advancement for themselves.

3.9.1 Professional Development

As employees learn what is required for advancement within an organization, it is also important that they are provided with access to training and professional development to improve their skills. One participant at the roundtable shared an initiative where employees could gain access to senior leadership in order to develop their skills. Providing fair access to programs and training is essential to maintaining a diverse, inclusive, and engaged workforce.

Participants said training and development is critical to the success of any organization. While some may have limited resources for training and development, they may wish to consider programs such as formal mentoring programs that provide access to leadership where employees can be exposed to the unwritten rules and learn the "tricks of the trade." Participants said it was important to ensure that employees have equal opportunities for access to training, development, and mentoring so they can acquire the skills they need to contribute more to the organization.

3.10 Supplier Diversity

The roundtable discussion also touched on how and whether organizations look at the diversity of their suppliers (or contracted service providers). Some participants have robust programs

where they track whether they utilize minority- and women-owned vendors, the amount of business they do with such vendors, and whether they recruit intentionally for diverse suppliers and advertise broadly for necessary services. Other participants reported that they may simply use internet searches, such as using a Google search, to find suppliers.

One participant described how their organization maintained a database of minority- and women-owned businesses and shared it publicly at no cost to other organizations, as well as conducting outreach to minority- and women-owned businesses to learn about new sources of vendors. Another shared that they had changed their contracting practices after conducting an analysis and learning that their prior practices had limited diverse suppliers from participating in bidding for their services.

4. Conclusion

This report is intended to encourage broader discussion about diversity and inclusion within the financial services industry. The Bureau convened the roundtable to hear about what is being done in the mortgage industry and share the participants' practices. The meeting enabled participants to learn from each other and better understand what is currently being done to foster diversity and inclusion. Although larger organizations may have more resources to support these initiatives, all participants clearly embraced the business case for diversity and inclusion as a way to better serve and expand their customer base.

Due to time limitations, the meeting did not cover in detail other important issues, such as diversity and inclusion training, strategic planning, the use of metrics to set appropriate goals, and transparency around processes and objectives. These issues are addressed in the Joint Standards, which could be a discussion at a later convening.

The Bureau plans to work with the other OMWIs to host additional roundtables that can expand upon the business case for diversity and inclusion. This summary of the Bureau's first Diversity and Inclusion Roundtable provides information that financial providers may consider fostering greater diversity and inclusion within their companies, but this initial report is not intended to be a comprehensive guide to useful practices. Entities are encouraged to develop programs that best fit their needs, and again, this summary is not intended to serve as formal guidance or as a definitive interpretation of the Joint Standards.

The CFPB OMWI plans to begin its assessment process by collecting information submitted by regulated entities in order to analyze the progress made on diversity and inclusion, and to assist financial services companies with their diversity and inclusion programming. As one participant noted, addressing diversity and inclusion now is a key to business success: "If you don't get started now, years down the road you are going to lose market share."

Appendix A – The Joint Standards

Section 342(b)(2)(c) of Dodd-Frank requires each OMWI director to develop standards for "assessing the diversity policies and practices of entities regulated by the agency." OMWI directors from various agencies unified to develop a common standard between the agencies to meet the statutory mandate, to be consistent, and to reduce duplicative or conflicting requirements on entities regulated by multiple agencies. An initial draft of this interagency policy statement creating the Joint Standards was published in the Federal Register on October 25, 2013, (78 FR 64052), and sought public comment and feedback. After analyzing the public comment, the policy statement was modified and finalized, published again in the Federal Register on June 10, 2015, (80 FR 33016).

The Joint Standards were designed around 5 pillars, that the entity:

1. demonstrates its commitment to diversity and inclusion through its top leadership and throughout the organization;

2. evaluates its workforce profile and employment practices to promote the fair inclusion of minorities and women in its workforce

3. evaluates its procurement and business practices to increase opportunities for minority- and women-owned businesses, and to create supplier diversity

4. has practices to promote transparency of organizational diversity and inclusion; and

5. engages in a self-assessment to evaluate diversity and inclusion practices on an ongoing and annual basis, and provide this information to its primary federal financial regulator.

The Bureau has focused its initial efforts on working with the mortgage sector. Under the final standards, regulated entities are asked to share information about their diversity and inclusion

practices with their "primary federal financial regulator." Thus, banks regulated by both the Bureau and the prudential regulators are asked to share information with their banking regulator (i.e. the Federal Deposit Insurance Corporation, the Federal Reserve Board of Governors, the Office of Comptroller of the Currency and the National Credit Union Administration). Non-bank entities share their information with the CFPB.

The Joint Standards, as published on June 10, 2015, in the Federal Register, follow:

Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity Policies and Practices of Entities Regulated by the Agencies (80 Federal Register 33022)

I. Introduction

Section 342(b)(2)(C) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) requires the Directors of the Offices of Minority and Women Inclusion (OMWI) to develop standards for assessing the diversity policies and practices of the entities regulated by the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, National Credit Union Administration, Bureau of Consumer Financial Protection, and Securities and Exchange Commission (Agencies). To promote consistency, the Agencies worked together to develop joint standards (Standards) for assessing diversity policies and practices. This Interagency Policy Statement (Policy Statement) announces those Standards.

This document is a general statement of policy under the Administrative Procedure Act, 5 U.S.C. 553. It does not create new legal obligations. Use of the Standards by a regulated entity is voluntary. The Agencies will not use their examination or supervisory processes in connection with these Standards.

For purposes of this Policy Statement, the Agencies define "diversity" to refer to minorities, as defined in section 342(g)(3) of the Dodd-Frank Act (that is, Black Americans, Native Americans, Hispanic Americans, and Asian Americans), and women. This definition of diversity does not preclude an entity from using a broader definition with regard to these standards. In addition, as used in this Policy Statement, the Agencies define "inclusion" to mean a process to create and maintain a positive work environment that values individual similarities and differences, so that all can reach their potential and maximize their contributions to an organization. The Standards set forth below may be used to assess policies and practices that impact the inclusion of minorities and women in the regulated entity's workforce and the existence of minority-owned and women-owned businesses among a regulated entity's suppliers of products and services.

II. Joint Standards

The Agencies designed these Standards to provide a framework for an entity to create and strengthen its diversity policies and practices, including its organizational commitment to diversity, workforce and employment practices, procurement and business practices, and practices to promote transparency of organizational diversity and inclusion. 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 more than 100 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. Finally, the Agencies intend that the Standards will address an entity's U.S. operations.

(1) Organizational Commitment to Diversity and Inclusion

The leadership of an organization with successful diversity policies and practices demonstrates its commitment to diversity and inclusion. Leadership comes from the governing body, such as a

board of directors, as well as senior officials and those managing the organization on a day-to-day basis. These Standards inform how an entity promotes diversity and inclusion in both employment and contracting and how it fosters a corporate culture that embraces diversity and inclusion.

STANDARDS

In a manner reflective of the individual entity's size and other characteristics,

The entity includes diversity and inclusion considerations in both employment and contracting as an important part of its strategic plan for recruiting, hiring, retention, and promotion.

The entity has a diversity and inclusion policy that is approved and supported by senior leadership, including senior management and the board of directors.

The entity provides regular progress reports to the board and senior management.

The entity regularly conducts training and provides educational opportunities on equal employment opportunity and on diversity and inclusion.

The entity has a senior level official, preferably with knowledge of and experience in diversity and inclusion policies and practices, who oversees and directs the entity's diversity and inclusion efforts. For example, this official may be an executive-level Diversity Officer (or equivalent position) with dedicated resources to support diversity strategies and initiatives.

The entity takes proactive steps to promote a diverse pool of candidates, including women and minorities, in its hiring, recruiting, retention, and promotion, as well as in its selection of board members, senior management, and other senior leadership positions.

(2) Workforce Profile and Employment Practices

Many entities promote the fair inclusion of minorities and women in their workforce by publicizing employment opportunities, creating relationships with minority and women professional organizations and educational institutions, creating a culture that values the contribution of all employees, and encouraging a focus on these objectives when evaluating the

performance of managers. Entities with successful diversity and inclusion programs also regularly evaluate their programs and identify areas to be improved.

Entities use various analytical tools to evaluate a wide range of business objectives, including metrics to track and measure the inclusiveness of their workforce (e.g., race, ethnicity, and gender). Entities that are subject to the recordkeeping and reporting requirements of the Equal Employment Opportunity Commission (EEOC) and the Office of Federal Contract Compliance Programs currently collect and maintain data and supporting documentation that may assist in evaluating and assessing their policies and practices related to workforce diversity and inclusion. Specifically, entities that file EEO-1 Reports[†] required under Title VII of the Civil Rights Act of 1964 routinely track and analyze employment statistics by gender, race, ethnicity, and occupational group. Entities that develop and implement the affirmative action programs required under the regulations implementing Executive Order 11246 track and analyze employer-created job groups. Entities also are encouraged to use other analytical tools that they may find helpful.

STANDARDS

In a manner reflective of the individual entity's size and other characteristics,

The entity implements policies and practices related to workforce diversity and inclusion in a manner that complies with all applicable laws.

[†] The Employer Information Report EEO–1 (EEO–1 Report) is required to be filed annually with the EEOC by (a) private employers with 100 or more employees and (b) federal contractors and first tier subcontractors with 50 or more employees that have a contract or subcontract of $50,000 or more or that serve as a depository of government funds in any amount.

The entity ensures equal employment opportunities for all employees and applicants for employment and does not engage in unlawful employment discrimination based on gender, race, or ethnicity.

The entity has policies and practices that create diverse applicant pools for both internal and external opportunities that may include:

○ Outreach to minority and women organizations;

○ Outreach to educational institutions serving significant minority and women student populations; and

○ Participation in conferences, workshops, and other events to attract minorities and women and to inform them of employment and promotion opportunities.

The entity utilizes both quantitative and qualitative measurements to assess its workforce diversity and inclusion efforts. These efforts may be reflected, for example, in applicant tracking, hiring, promotions, separations (voluntary and involuntary), career development, and retention across all levels and occupations of the entity, including the executive and managerial ranks.

The entity holds management at all levels accountable for diversity and inclusion efforts, for example by ensuring that such efforts align with business strategies and individual performance plans.

(3) Procurement and Business Practices—Supplier Diversity

Companies increasingly understand the competitive advantage of having a broad selection of available suppliers to choose from with respect to factors such as price, quality, attention to detail, and future relationship building. A number of entities have achieved success at expanding available business options by increasing outreach to minority-owned and women-owned businesses.

As in the employment context, entities often use metrics to identify the baseline of how much they spend procuring and contracting for goods and services, how much they spend with

minority-owned and women-owned businesses, and the availability of relevant minority-owned and women-owned businesses, as well as changes over time. Similarly, entities may use outreach to inform minority-owned and women-owned businesses (and affinity groups representing these constituencies) of these opportunities and of the procurement process.

In addition, entities' prime contractors often use subcontractors to fulfill the obligations of various contracts. The use of minority-owned and women-owned businesses as subcontractors provides valuable opportunities for both the minority-owned and women-owned businesses and the prime contractor. Entities may encourage the use of minority-owned and women-owned subcontractors by incorporating this objective in their business contracts.

STANDARDS

In a manner reflective of the individual entity's size and other characteristics,

The entity has a supplier diversity policy that provides for a fair opportunity for minority-owned and women-owned businesses to compete for procurement of business goods and services. This includes contracts of all types, including contracts for the issuance or guarantee of any debt, equity, or security, the sale of assets, the management of the entity's assets, and the development of the entity's equity investments.

The entity has methods to evaluate its supplier diversity, which may include metrics and analytics related to:

○ Annual procurement spending;

○ Percentage of contract dollars awarded to minority-owned and women-owned business contractors by race, ethnicity, and gender; and

○ Percentage of contracts with minority-owned and women-owned business sub-contractors.

The entity has practices to promote a diverse supplier pool, which may include:

○ Outreach to minority-owned and women-owned contractors and representative organizations;

○ Participation in conferences, workshops, and other events to attract minority-owned and women-owned firms and inform them of contracting opportunities; and

○ An ongoing process to publicize its procurement opportunities.

(4) Practices To Promote Transparency of Organizational Diversity and Inclusion

Transparency and publicity are important aspects of assessing diversity policies and practices. Greater awareness and transparency give the public information to assess those policies and practices. Entities publicize information about their diversity and inclusion efforts through normal business methods, which include displaying information on their Web sites, in their promotional materials, and in their annual reports to shareholders, if applicable. By making public an entity's commitment to diversity and inclusion, its plans for achieving diversity and inclusion, and the metrics it uses to measure success in both workplace and supplier diversity, an entity informs a broad constituency of investors, employees, potential employees, suppliers, customers, and the general community about its efforts. The publication of this information can make new markets accessible for minorities and women and illustrate the progress made toward an important business goal.

STANDARDS

In a manner reflective of the individual entity's size and other characteristics, the entity is transparent with respect to its diversity and inclusion activities by making the following information available to the public annually through its Web site or other appropriate communication methods:

The entity's diversity and inclusion strategic plan;

The entity's policy on its commitment to diversity and inclusion;

The entity's progress toward achieving diversity and inclusion in its workforce and procurement activities (which may include the entity's current workforce and supplier demographic profiles); and

Opportunities available at the entity that promote diversity, which may include:

○ Current employment and procurement opportunities;

○ Forecasts of potential employment and procurement opportunities; and

○ The availability and use of mentorship and developmental programs for employees and contractors.

(5) Entities' Self-Assessment

The Agencies interpret the term "assessment" to mean self-assessment. Entities that have successful diversity policies and practices allocate time and resources to monitoring and evaluating performance under their diversity policies and practices on an ongoing basis. Entities are encouraged to disclose their diversity policies and practices, as well as information related to their assessments, to the Agencies and the public. Entities submitting information may designate such information as confidential commercial information as appropriate, and the Agencies will follow the Freedom of Information Act in the event of requests for particular submissions.

STANDARDS

In a manner reflective of the individual entity's size and other characteristics,

The entity uses the Standards to conduct self-assessments of its diversity policies and practices annually.

The entity monitors and evaluates its performance under its diversity policies and practices on an ongoing basis.

The entity provides information pertaining to the self-assessments of its diversity policies and practices to the OMWI Director of its primary federal financial regulator.

The entity publishes information pertaining to its efforts with respect to the Standards.

III. Use of Assessment Information by Agencies

The Agencies may use information submitted to them to monitor progress and trends in the financial services industry with regard to diversity and inclusion in employment and contracting activities and to identify and highlight those policies and practices that have been successful. The primary federal financial regulator will share information with other agencies when appropriate to support coordination of efforts and to avoid duplication. The OMWI Directors will also continue to reach out to regulated entities and other interested parties to discuss diversity and inclusion practices and methods of assessment. The Agencies may publish information disclosed to them, such as best practices, in any form that does not identify a particular entity or individual or disclose confidential business information.