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Docket ID OCC-2013-0014

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Inland Empire Latino Coalition Public Comment on the Offices of Minority and Women Inclusion's Proposed Interagency Policy Statement

Dear Ms. Cofield, Ms. Clark, Ms. Brooks, Ms. James, Mr. Ishimaru, and Ms. Gibbs,

Thank you for the opportunity to respond to the Request for Comments on the "Proposed Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity Policies and Practices of Entities Regulated by the Agencies." The Inland Empire Latino Coalition advocates for Economic Justice and Financial Reform, including but not limited the areas of Equal Employment Opportunities, equities in all areas of Education, Housing and Business Opportunities.

The Great Recession of 2007-2009 was largely caused by a financial sector that was not held accountable to consumers and did not reflect the diversity of America. The Offices of Minority and Women Inclusion can create great opportunities to increase the representation and utilization of women and people of color in the financial sector. Increasing this population will ensure that the financial sector is more attuned to and invested in creating better financial products for and supporting the local economies of their respective communities.



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The Inland Empire Latino Coalition supports measures that implement standards and promote transparency to increase diversity in the financial services sector. Section 342 and the interagency OMWI group have the potential to achieve this goal, but the proposed standards do not provide sufficient detail, uniformity, or accountability mechanisms to ensure this vision is realized. In response to the proposed standards for regulated entities, we offer the following observations and recommendations:

1. Inadequacy of self-assessments

Section 342(b)(2)(C) requires each OMWI to develop standards to “[assess] the diversity policies and practices of entities regulated by the agency”. The Agencies have unnecessarily interpreted “assessment” to mean “self-assessment”. Ideally, these OMWIs would devote staff and develop specific methodologies to conduct assessments of regulated entities. Having the Agencies or a third party conduct assessments would mitigate some of the inevitable biases of regulated entities and thus provide stakeholders with more accurate evaluations.

Recommendation: Agencies should conduct assessments of regulated entities.

2. Lack of standardized assessment criteria

The proposed interagency standards contain excellent big-picture recommendations on best practices, but these can be interpreted more as a list of *recommendations* rather than *standards*. We anticipate that financial institutions will select to only report on initiatives that they currently have in place and stakeholders will be unable to compare financial institutions without uniform metrics. We strongly urge the Agencies to issue standardized surveys to gain a truly comprehensive understanding of institutions’ performances. We suggest referencing existing successful models of standardized surveys on supplier diversity, such as the California Public Utilities Commission and the California Department of Insurance.^{1,2}

Recommendation: Create a standard questionnaire for regulated entities’ assessments.

3. Specifics needed in assessment

We recognize that creating a standardized survey for a wide range of regulated entities is a difficult task, and suggest creating an advisory board to provide feedback and guide the OMWIs in crafting a questionnaire with more specific metrics. This method could also be used to address the OMWIs’ concern with creating assessment criteria based on company size. Utilizing the breadth of an advisory committee’s expertise would help improve this process. Advisory Board Members could include representatives from financial institutions, nonprofits, academia, and experts from other sectors/agencies that have successfully created diversity programs. This committee should also be diverse in its ethnic

¹ California Department of Insurance, “ISD-2013 Report Form A,” April, 2013. Accessed at <http://www.insurance.ca.gov/diversity-new/3-dc/upload/KaiserPermanentelInsurance.pdf> on November 30, 2013.

² California Public Utilities Commission, “General Order 156,” May 5, 2011. Accessed at <http://docs.cpuc.ca.gov/PublishedDocs/DefaultDoc.aspx?HID=171157> on November 30, 2013.



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and gender makeup. Advisory Boards are a successful tactic utilized by various regulatory bodies and corporations.^{3 4}

Recommendation: Create Advisory Board to craft scalable questionnaire based on entities' size.

4. Voluntary nature of disclosing assessments does not promote accountability or transparency

The proposed interagency standards would allow regulated entities to “[voluntarily disclose their self-assessments] to the appropriate agency and other information the entity deems relevant”. For most companies, diversity will remain a ‘nice to do’ until it is a ‘must to do’ through regulatory requirements. Nothing in Section 342 suggests that regulated entities should have the discretion of whether to disclose their assessments to their regulator. This invites the financial sector to treat the OMWI, and thus their oversight, as optional and irrelevant. It is imperative that regulated entities be *required* disclose their assessments to the OMWIs. Further, this information must be made publically accessible to create the desired transparency stated in the proposed joint standards.

Recommendation: Mandate disclosure to regulated entities' assessments to OMWI, and make assessments publically available.

5. Needed clarity on reporting timelines and data analysis

The proposed interagency standards do not currently specify procedures on the data collection process or what actions will be taken after the assessments are collected. We strongly recommend that the OMWIs set regular deadlines for data submission and for publically availability of the submitted data. Further, the OMWIs should provide a definition for “monitoring” these assessments. We recommend that the interagency group conduct a regular analysis of the data, and that the scope of this analysis be outlined in the final interagency standards.

Recommendation: Establish regular deadlines for submitting assessments, making assessments publically available, and OMWI analysis of collected data.

6. Proposed approach to assessment promotes diversity and inclusion to the minimum, not maximum, extent possible

The Proposed Interagency Policy Statement cites Section 342 (b)(4) several times, which reads that “[no assessment] may be construed to mandate any requirement on or otherwise affect the lending policies and practices of any regulated entity, or to require any specific action based on the findings of the assessment”. We acknowledge that this provision limits the enforcement capabilities of the OMWIs in their assessment of regulated entities. It does not, however, prohibit the OMWIs from creating more stringent assessment standards than currently presented.

³ Consumer Financial Protection Bureau, “Advisory Groups”. Accessed at <http://www.consumerfinance.gov/advisory-groups/> on November 30, 2013.

⁴ California Department of Insurance Diversity Task Force, “2013 Report to the Insurance Commissioner.” Accessed at <http://www.insurance.ca.gov/diversity-new/2-tf/upload/TFReporttoCommissioner.pdf> on November 30, 2013.



We would like to highlight Section 342(c)(1), which reads "The Director of each Office shall develop and implement standards and procedures to ensure, to the **maximum** extent possible, the fair inclusion and utilization of minorities, women, and minority-owned and women-owned businesses in all business and activities of the agency at all activities...". The proposed interagency standards are currently setting minimum standards for industry and not realizing their full potential.

Recommendation: Generally, we urge the interagency OMWIs to strengthen their standards and recognize that Section (b)(4) does not prohibit thorough assessments.

The OMWIs have repeatedly expressed their commitment to public participation and an interest in ensuring that public feedback informs the decision making process. It is our hope that the Agencies will reassess their proposed interagency joint standards to reflect these recommendations. Thank you again for this opportunity to participate.

Sincerely,

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