

From: [Doug Bayless](#)
To: [Regulatory Comments](#)
Subject: Comments on Proposed Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity Policies of Regulated Entities.
Date: Friday, January 31, 2014 3:21:03 PM

Gerard Poliquin, Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Re: Comments on Proposed Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity Policies of Regulated Entities.

Dear Mr. Poliquin:

Credit unions have been the friend of diversity since their inception in this country; diversity here meaning all kinds of people. The common bond principle focused each credit union's attention on the people it served whatever their unique circumstances of life may have been. The result was that credit unions as a whole served the most diverse population of this country of any collection of financial institutions. This has consistently been the philosophy of credit unions.

Community charters allowed credit unions to expand their spheres of service to other groups within the community that were underserved and left out of the cultural norms of their communities. Again, credit unions reached out to diverse segments of the population to bring them into the mainstream of financial service.

It appears now that the Government is overreaching its powers to redefine diversity in Orwellian doublespeak. Diversity now means only women and minority groups—particularly minority groups identified by the Government. Instead of real diversity, we have narrowly defined diversity of only a few groups, not just all people.

The NCUA, in cooperating with the Interagency Policy Statement, appears to be forgetting what credit unions are all about and it is willing to lump us into the pile of all financial service providers. We believe this to be unconscionable. Thomas Jefferson wrote that all men are created equal by their Creator—men in a generic sense; but now it is being forced upon our national psyche that certain men (in a generic sense) deserve more opportunity than others because of Government defined differences they possess.

The Statement seeks to replace nuclear efficiency with Government defined diversity, which would place undue burdens on most credit unions and potentially erode efficiency and possibly impact the safety and soundness of some credit unions. We believe, as a whole, credit unions seek to employ the most qualified persons for positions without discriminating against protected classes. While the Statement does not set quotas, unspecified quotas are implied and a credit union cannot know what those quotas are until it has violated what the Regulator thinks the quota is or should be.

There are well qualified persons of any diversity criterion but having access to a comprehensive universe of applicants for any job opening is virtually impossible. Job listings and recruiting efforts do not always attract equally qualified persons of all diversity segments at the same time. It can also happen that a credit union would have to choose between a well-qualified candidate that is not of a diversity class and a poorly qualified candidate from a diversity class (not implying that all persons of any diversity class are less qualified than all persons not of a diversity class). If these are the only candidates, must the credit union hire the poorly qualified candidate and possibly hamper its efficiency or safety and soundness just

to satisfy an artificially imposed standard of diversity? Credit unions are businesses that must maintain a solid safety and soundness profile; they cannot operate as does the Government.

Also, to require credit unions to adhere to such standards with regard to third party contractors is not an easy requirement with which to comply. The Standard suggests that credit unions must have intimate knowledge of a vendor's hiring practices and be the judge of the vendor's diversity. Yes, we can read their reports to the Government, but how can we know the reports are true and valid? We would have to periodically audit each vendor to fully comprehend its diversity compliance.

The Standard speaks of institutions having an executive-level Chief Diversity Officer, or at least a senior-level officer to oversee compliance. This also implies that a compliance staff be involved. As it is, credit unions seem to spend more time and costs complying with regulations than doing business with members; this would certainly push it over the top.

We make no apology for our sarcasm in this letter; we just believe that the NCUA giving-in to a boiler-plate social burden, such as the Standard, is unwise for our industry as it would further undermine our ability to do what we do well. If the Government wants to nationalize all financial institutions and run them on Government standards, they should do that and put us out of our misery.

It is the nature of credit unions to care for people of any and all diverse groups. Our mission causes us to be sympathetic and inclusive. Also, compare credit unions to banks and other financial institutions and you will see that, by and large, credit unions have more women senior executives than they. It may be true that in some instances we need to be more aware of our environments and make more aggressive efforts to include diverse groups where we can; but for the Government to demand its version of diversity at any cost is destructive.

In short, the Standard

1. Would require an administrative burden most credit unions cannot afford;
2. Would ultimately not produce the results the Government wants;
3. Would require credit unions to regulate third party vendors.

We recommend that the NCUA reconsider its position on the Standard and/or develop regulations that are consistent with the credit union philosophy. Furthermore, the NCUA should exempt credit unions under one-billion dollars in assets from any diversity compliance reporting requirements.

Respectfully yours,

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