

## **Statement for the Record**

### **Financial Services Forum**

*Before the*

### **Subcommittee on Diversity and Inclusion**

### **House Financial Services Committee**

**June 29, 2021**

The Financial Services Forum (Forum) submits the following statement for the record as part of the hearing in the Subcommittee on Diversity and Inclusion on June 29, 2021, entitled “The Legacy of George Floyd: An Examination of Financial Services Industry Commitments to Economic and Racial Justice.”

The Forum is an economic policy and advocacy organization whose members are the chief executive officers of the eight largest and most diversified financial institutions headquartered in the United States. These U.S. Global Systemically Important Banks, or U.S. GSIBs, employ more than 755,000 people in all 50 states, the District of Columbia, Puerto Rico, and Guam; hold more than \$4 trillion in loans, including \$126 billion in small business loans; provide nearly half of all consumer loans by banks in the United States; and underwrite three-quarters of the debt and equity transactions.

Thank you for holding this hearing on an important topic in our country and for the opportunity to submit this statement for the record. Recognizing financial institutions can play an important role in helping to close the racial wealth gap, Forum firms have not only committed, but have deployed billions of dollars over the past year to improve racial equity, including investing in Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs), financing affordable housing and providing grants to assist low- and moderate-income individuals to buy a home, increasing diversity and inclusion within their institutions, and offering products and services to the millions of unbanked in the country.

#### **Commitment to CDFIs and MDIs**

Forum firms have made significant contributions to CDFIs and MDIs over the past several years. Recognizing that CDFIs and MDIs have extensive reach into diverse communities and can be a conduit for lending to minority-owned small businesses, Forum firms have invested \$9 billion in CDFIs over the past five years and \$500 million into MDIs.

Beyond investments, Forum firms partner with CDFIs and MDIs across the country, providing mentorship through the U.S. Department of Treasury mentor-protégé program, technical assistance, and training for employees to ensure investment dollars can reach maximum impact in underserved communities and communities of color. Such investments and partnerships increase the number of loans in low-and-moderate income communities, help finance affordable housing, and increase access to capital for minority-small business owners.

## **Housing**

Affordable housing is a basic human necessity, and the largest financial institutions are doing their part to help ensure greater access to affordable housing across the country as well as to assist new homeowners realize the American Dream during a time of great need.

While the pandemic spread throughout the country and millions of Americans faced housing uncertainty, the nation's largest banks financed more than 158,000 affordable housing units, including construction of new units and the preservation of existing affordable housing units in 2020.

Understanding that generational wealth significantly grows through homeownership, the U.S. GSIBs did more than simply finance the creation of affordable housing units. Throughout the pandemic, Forum firms expanded programs designed to increase access to homeownership for low- and moderate-income individuals and communities of color. This includes grants for down payment and closing costs, which are often barriers to first-time homebuyers. These efforts have helped thousands of new families buy a home, taking advantage of historically low interest rates.

## **Commitment to Diversity**

Improving diversity and inclusion at large U.S. financial institutions is a priority of Forum members and their chief executive officers. U.S. GSIB CEOs and senior leadership are directly involved with diversity and inclusion at each member bank, helping set concrete diversity targets and evaluating progress.

Their commitment to diversity is evidenced in their growth and improvement over the past few years. Total diversity at U.S. GSIBs increased overall and at the highest and middle levels between 2018 and 2020. Further, Forum members have greater diversity as compared to the U.S. corporate average. While more work needs to be done, the nation's largest banks have shown they are moving in a positive direction.

The Forum also supports the Improving Governance Through Diversity Act. The bill would require all public companies to disclose racial, ethnic, and gender composition as well as veteran status of their boards of directors and executive officers. Diversity of corporate boards is critically important to investors and other stakeholders as diversity strengthens boards, ensures representation of differing experiences and perspectives, and allows for unique approaches to solve complex problems. Forum members recognize that efforts to increase board diversity bolster competitiveness around the world, help foster a sustainable and inclusive economy, and lead to better results for consumers, clients, and communities.

Additionally, Forum members are proud of their extensive investments and partnerships with HBCUs and Hispanic serving institutions (HSIs) to ensure active recruitment of talented, diverse candidates. The nation's largest banks also use diversity and inclusion focused trainings, career development events, and affinity groups to promote a workplace community where diverse employees can grow, learn, and thrive.

### **Serving the Unbanked and Underbanked**

The largest banks have also led the way in offering products and services so that the millions of unbanked Americans can gain access to the traditional, regulated banking system, which ensures more consumer protection and greater financial stability. Whether it is offering low-cost, low-fee checking accounts, financial counseling services, or alternative forms of credit scoring to provide products and services to the unbanked and underserved communities, Forum firms are constantly innovating.

For example, U.S. GSIBs were founding partners with the Cities for Financial Empowerment (CFE) to provide low-cost, low fee checking accounts in an effort to reach the unbanked. The BankOn certified account program has expanded to dozens of lenders around the country, and Forum members were proud to be part of the pilot program. In addition, Forum members have worked with CFE Fund and others to offer Financial Empowerment Centers in cities across the country. Financial Empowerment Centers offer financial counseling for free to residents to address their financial needs. This free public service helps clients navigate complex financial situations and plan their future financial goals as well as supports strategic research projects to enhance the success of financial counseling. Such counseling was even more critical during the pandemic when people in low- and moderate-income communities were hit hardest by COVID-19 and navigated unprecedented economic times.

Moreover, several U.S. GSIBs are working with the OCC on Project REACH to promote financial inclusion through greater access to credit and capital. In particular, through Project REACH, the nation's largest banks have worked to reach credit invisibles. The banks have worked with Early Warning Services (EWS) to create a tool that supplies non-traditional data sources, such as deposit account activity, to the three credit bureaus, allowing all lenders to improve the assessment of creditworthiness. Individuals that may not have a credit score due to difficult circumstances will benefit from this innovation and gain access to traditional, regulated bank products and services.

### **Conclusion**

U.S. GSIBs are committed to investing and serving the communities in which they reside and have continued to expand their investments and partnerships with community-based groups and regulators over the past year.

The Forum submits additional materials for the record, which provide greater detail on how large, diversified U.S. financial institutions are working to [close the racial wealth gap](#), invest in

and partner with [CDFIs](#) and [MDIs](#), finance [affordable housing](#), improve [diversity and inclusion](#), and reach the unbanked.

The Forum appreciates the opportunity to submit this statement for the record and accompanying materials. Thank you for your leadership in Congress on this critical issue. U.S. GSIBs stand ready to work with you to help address these important issues.