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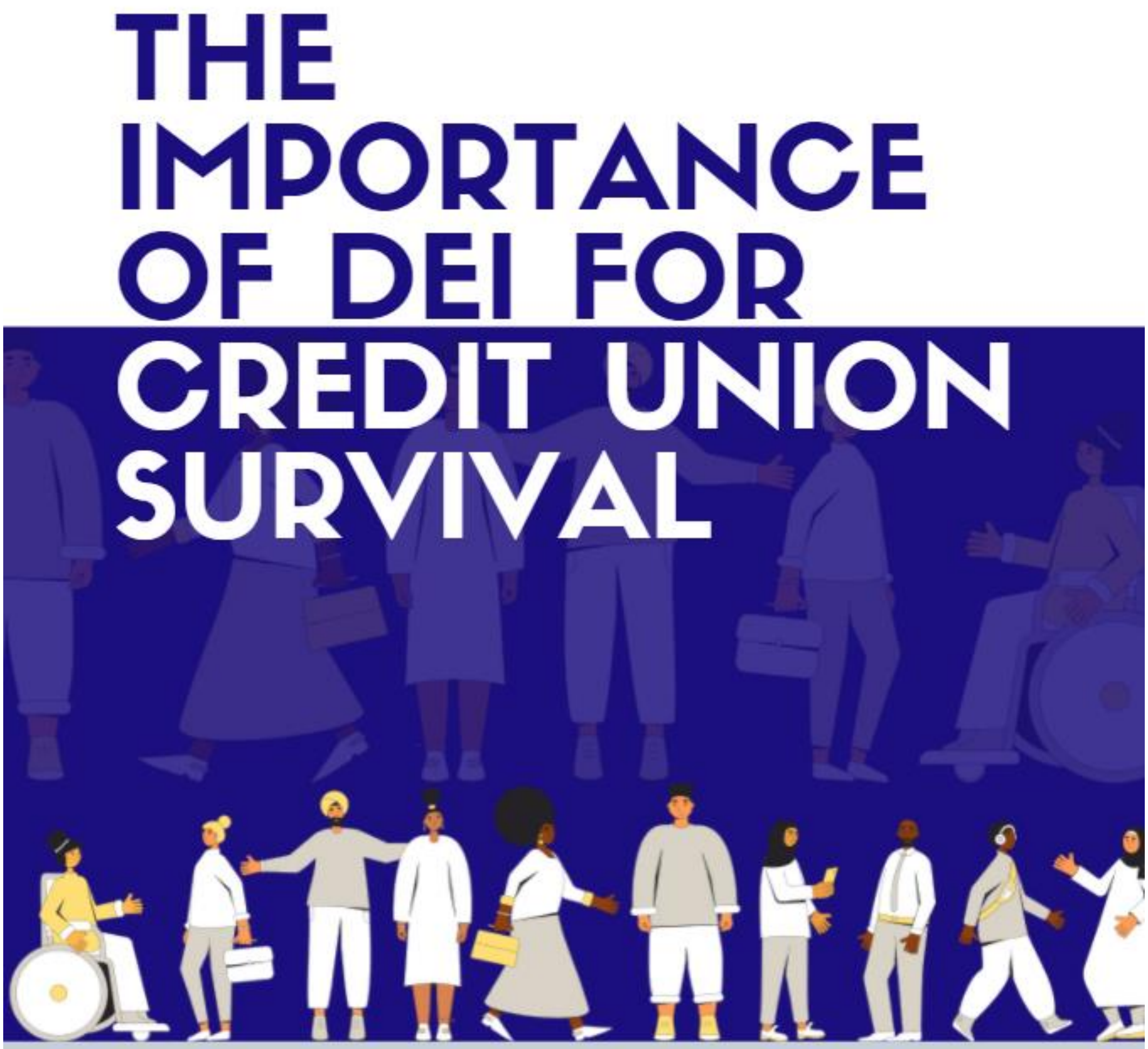

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STATEMENT OF ISSUE

Credit unions have a longstanding history of people helping people. As both a financial institution and employer, the number of individuals impacted by decisions of credit union leadership is vast in both population and backgrounds. An ongoing opportunity for credit unions is to find creative ways to engage the members they serve and build relationships with those they seek to attract.

Diversity in the workplace has been a trending topic for more than 20 years, and the focus on diversity and inclusion has evolved. Many organizations, including credit unions, have implemented Diversity, Equity, and Inclusion (or DEI) policies, and some have hired DEI Directors. As the world discussed diversity issues, the U.S. Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The act mandated the National Credit Union Administration (NCUA) and other governing agencies to develop standards for assessing diversity and inclusion. On June 10, 2015, the final interagency policy statement known as the 'joint standards' went into effect. (NCUA, 15-CU-05, 2015).

In NCUA's letter issued to credit unions (see Appendix A) regarding the joint standards for assessing diversity policies and practices, credit unions were encouraged to review the policy statement and best practices for diversity in the workplace. The joint standards focus on entities with more than 100 employees; however, it does not create any legal compliance obligations as the implementation of or use of the diversity standards is entirely voluntary (NCUA, 15-CU-05, 2015).

Today, for the first time in history, employers face the fortune and challenge of having five generations working together daily. The complexity is heightened by how technology – social media, in particular – permeates the way we live our lives and connect. Society recognizes credit unions as being people-oriented and community-centered by members. Opportunity exists, however, for all organizations, credit unions included, to embrace America's "melting pot" example by recognizing the value and importance of a diverse workforce internally and sharing that story externally with a focus on diversity, equity inclusion, and belonging.

There are strong reasons, ethically and financially, for credit unions to take a stance toward understanding ways to recognize and mitigate the adverse effects of not considering DEI. The business case for DEI is strong, and the impacts toward the underserved and underbanked – those for whom many credit unions provide financial guidance and opportunity – are damaging if left unchecked or ignored. Throughout this paper, we will discuss how credit unions' actions impact both internal and external stakeholders and, in turn, reflect progress towards DEI.

RESEARCH

Understanding DEI

Diversity, equity, and inclusion have been buzzwords in the media and businesses in recent years, and with good reason. However, laypeople often use the words interchangeably as if the meanings are the same. While these three objectives are undoubtedly interrelated, the implications of each are considerably different.

Diversity Defined

Diversity, defined in its simplest terms, refers to the difference between two or more people. Many understand diversity in terms of men and women or even racial differences. The differences between groups can vary in many ways. In the joint standards, the agencies define "diversity" to refer to minorities (Black Americans, Native Americans, Hispanic Americans, and Asian Americans) and women (Federal Register, 33016). NCUA further defines diversity as a broad spectrum of characteristics including race, color, ethnicity, national origin, gender, age, religion, language, disability, sexual orientation, gender identity, family structure, socioeconomic status, geographic differences, and diversity of thought and life experiences (NCUA, 2020).

At times, some define diversity as a characteristic or a catch-all description. For example, employers may mention having a *diverse* workforce or a diverse hiring initiative. However, the more we learn about diversity, the more we realize that framing any program or workgroup as such would be a bit incomplete. There is, ironically, much diversity in the definitions of diversity. The overarching belief is that it is essential to intentionally consider the varying experiences, identities, and capabilities within workplaces to benefit the organization.

Equity Defined

Equity generally describes the treatment and outcomes of those within the workforce. The way leaders in the workplace allocate resources in pay, promotions, work assignments, support, and more is essential. Working conditions and support play into a person's perception of fairness in the workplace. This perception impacts how a person feels about equity, influencing how they perform and behave.

In the workplace, employees determine what they consider "fair" by several factors – from individual treatment to how leaders communicate and enforce organizational policies and procedures. As a result, there is more than one way for an employee to view an employer as an equitable organization (Roberson, 2020).

Credit unions considering equity in the workplace would involve an intentional effort to discover how employees feel about their treatment. This review would go beyond typical job satisfaction and employee engagement surveys and lead to a deeper, more personal understanding of opportunities for change.

Inclusion Defined

While the characteristics of a workgroup can gauge diversity and equity is based on the treatment of those individuals, inclusion refers to a person's feelings of being valued or included within a workplace. Employees' ability to feel like they belong is vitally important to their overall satisfaction with the workgroup. Similar to how organizational policies can shape an employee's view of equity in the workplace, those same policies and practices shape the creation and maintenance of inclusive work environments (Roberson, 2020).

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 (Federal Register, 33016). NCUA further defined inclusion as a practice or behavior that creates a sense of belonging and value for all individuals. Inclusion allows differences to make a difference (NCUA, 2021). The credit union philosophy of people helping people has long been an inclusive statement of “all people.”

Within any workgroup, inclusion exists when leadership allows all employees to contribute to organizational goals and projects in a meaningful way, without changing any part of their identity or assimilating to the group (Roberson, 2020). Inclusion is a valuable part of any DEI strategy. If a workplace has employees with many differences and the policies ensure fair treatment of all, if those employees do not feel like part of the team significantly, their connection within the group would be lacking.

Diversity, Equity, and Inclusion Interrelated

One overarching theme addressed in DEI in the workplace is the policies and practices supporting and maintaining them. Consider a workplace that lives up to two of the three components of DEI. A gap could exist in the employee experience if an organization ensured that various identities were represented (diversity) and those employees were consistently recognized and treated in a balanced way (equity). Suppose there was an absence of genuinely considering the thoughts and opinions of everyone in the group as valued (inclusion). In this case, cultural assimilation would be inevitable as employees would intentionally or unintentionally lose their voices.

Because there is no single part of any DEI strategy that would be the "silver bullet" to solve society's problems, it takes a concerted effort to implement practices and policies that consider diversity, equity, and inclusion as vital parts of the employee experience. When an organization implements these three elements, many recognize the final step in a DEI strategy as belonging.

Belonging exists in a workplace when the organization fully engages the potential of all employees, allowing them to be their whole selves without any need for assimilation to the group, while also genuinely considering their opinions and ideas and having varying views at the table. This integration leads to innovation that would benefit those both inside the organization and out. As with anything, too much of one thing is never enough. It takes a multitude of experiences and perspectives to truly move the needle to make an organization a pillar in the community. As credit unions continue to take a vested interest in improving the lives of those they serve, this holistic approach to ensure that the organization overlooks no one becomes even more critical.

Social Media's Impact on DEI

Considering diversity, equity, inclusion as a principle in hiring and in the treatment of all stakeholders requires that these stakeholders (i.e., customers, members, employees, board members, vendors, and even the general public) have a way of making their voices heard and their needs understood. Historically, there has been a marked disparity in access to a platform through which all voices could be heard. What some now see as antiquated forms of communication were the only ways most people previously had available to them to try to effect change in society, within a company, in how regulators enforced laws against specific segments of society, etc. In the past, if mistreated, a person may have taken a different route to share their grievance as they would today. They may have written a letter to the local newspaper, organized a demonstration, contacted the American Civil Liberties Union to garner possible legal interest in a case of discriminatory treatment, or a television news program may have featured their story. Regardless of which method of communicating grievances a person may have pursued, the odds of bringing mass attention to any inequitable treatment were slim to none. Without considerable money or power, most had no chance to communicate mistreatment broadly or hope of overcoming an unequal power structure to be treated fairly, but social media came along.

Merriam-Webster defines social media as forms of electronic communication through which users create online communities to share information, ideas, personal messages, and other content. It has revolutionized how one can gain attention for cases of unjust treatment. Whereas before making one's voice heard required an analog approach (i.e., picketing outside a building, or a third party promoting the story), with the advent of Facebook®, Twitter®, and other freely available communication platforms, anyone can now access a virtual megaphone to bring attention to anything desired. "Social media and digital platforms offer low-cost, low-barrier engagement to increase connections and participation of individuals from underrepresented groups who are often in low numbers locally" (Montgomery, 2018).

The rise of social media platforms intertwines closely with the increased emphasis on DEI within all facets of society. A person who has received disparate treatment from a police department, company, employer, or any other entity or individual is no longer without a platform to communicate their experience and feelings about it to a broader audience than just the immediate group of friends or family members. All one must do is post the story on a popular social media site. There is a possibility that millions worldwide will become aware of it, depending on the level of offense and whether there is concrete evidence of it (i.e., an audio or video recording). The last few years have shown that bad behavior in a public space is highly likely to be broadcast for all to watch. The power dynamics have shifted from just a few having the power to highlight a story that needs to be told, to virtually anyone being able to expose situations that cry out for justice. Often, the injustice stems from a heterogeneous power structure that does not consider the other. This power structure conflict is where the role of a program that encourages and fosters DEI finds its opportunity to help correct these societal ills. The intersection of social media outlets with programs that aim to level the playing field for people of all backgrounds to receive equal treatment has a tremendous capacity to effect positive change.
Without considerable money or power, most people had no chance to communicate mistreatment broadly or hope of overcoming an unequal power structure to be treated fairly, but social media came along.

A brief examination of two cases of how social media is and has been used to promote and support DEI is instructive for how credit unions can be agents of change while boosting the esteem in which stakeholders hold them.

Case Study – The Black Lives Matter Movement

The Black Lives Matter (BLM) movement is the most prominent example of how society can use social media to amplify significant concerns and lead to greater adoption of DEI. Established in 2014, BLM quickly gained followers as users saw for themselves some of the horrific injustices perpetrated on ordinary citizens. People of all demographics joined together to denounce the mistreatment of African Americans at the hands of police.

That the movement was able to multiply and galvanize a significant number of citizens into action is a function of its time. BLM leaders were able to coordinate and communicate online to ensure they stayed on message and supported each other. "[Social media] also allows us to be able to network, it allows people in another region to be like, 'Okay, I send solidarity', to say 'I feel you.'…and it allows us to be a whole network without being right in front of each other's faces." (Mundt et al., 2018). BLM catalyzed individuals and organizations across the spectrum to examine and discuss the real effects of disparate treatment on an entire segment of the population.

Case Study – The Cardiology Profession

The field of cardiology is one with a disproportionately high number of men both as practicing physicians and in teaching positions. While women now make up more than half of medical school enrollees, the number of women who enter the specialty of cardiovascular medicine is appallingly low, attributable primarily to reported hostile workplace environments. Social media, however, is now facilitating support among these women both in the field and in academic medicine. The author refers to the critical use of hashtag activism within this group to aid in better representation of gender issues and advocacy. One such tag is #WIC or Women in Cardiology. "The use of "hashtag activism" has allowed WIC to connect through a common experience, but more importantly, to share that experience on a public platform through Twitter, elevating their voice and creating allies. This social media activism has promoted a culture shift within cardiology, creating a more inclusive, respectful work environment" (Beygui et al., 2021). "By using social media to highlight their presence and amplify their voices, WIC perhaps will be able to shift the social perceptions of cardiology as a male-dominated space to one where women can coexist and even thrive." (Beygui et al., 2021).

The Business Case for DEI

Managing finances for some was already a struggle but adding COVID-19 to the mix highlights the uncomfortable truth that inequities and financial instability exist in many of our communities, specifically our underserved, unbanked, and underbanked communities. The challenges created by crisis and everyday life highlight the need for access to valuable and affordable financial services that meet the needs of those in our communities. No matter the socioeconomic makeup, financial inclusion can be a powerful tool that empowers individuals and families. Still, they can only prosper if surrounded and connected to a community that values inclusivity.

Credit unions must be that sustainable, long-term connection that will provide reasonably priced financial services to ensure members are not left behind or left out. Leaders must prioritize and strategically endorse meaningful changes towards developing sustainable models that engage the unserved and underserved populations. Investing in financial inclusion contributes to corporate social responsibility. It maximizes institutions' return on investment, not only internally but in the community, by improving the ability for members to engage in meaningful ways with the credit union.

Minority populations have been historically marginalized and disproportionally affected by inequities in access to opportunities that create wealth to achieve financial stability. Research shows that nearly 5.4% of U.S. households, approximately 7.1 million were unbanked in 2019, meaning that no one had a checking or savings account at a bank or credit union (i.e., bank) (FDIC, 2020).

Of these 7.1 million unbanked households, 13.8% were Black, 12.2% Hispanic, 16.3% American Indian or Alaska Native, 1.7% Asian, 2.5% White, and 4.9% two or more races (FDIC, 2020). A lack of financial services and education to navigate finances properly is detrimental because financial exclusion impedes economic growth in specific communities. Changes are happening in the financial services industry, which caused the percentages of unbanked to decrease by 2.8% between 2011-2019; still, there is work to be done to ensure that all have access to financial services and education.

Most Impacted Groups

Identifying groups exposed to exclusion is an essential first step to addressing barriers to financial inclusion. According to the 2019 Survey of Consumer Finances (SCF), little has changed between the wealth disparities comparing families in different racial and ethnic groups. The Survey (see Appendix B) reported that the "typical White family has eight times the wealth of the typical Black family and five times the wealth of the typical Hispanic family" (Bhutta et al., 2020). As of 2019, Black families' median and mean wealth was 15% lower than White families, at $24,100 and $142,500, respectively, while Hispanic families' median and mean wealth were $36,100 and $165,500, respectively (Bhutta et al., 2020). Other groups identifying as Asian, American Indian, Alaska Native, Native Hawaiian, Pacific Islander, and those reporting more than one racial identification have lower wealth than White families but still higher than Black and Hispanic families (Bhutta et al., 2020). For Black families, the wealth gap is an acute problem that translates into significant underinvestment in communities of color (Chau et al., 2020).

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Accessing Financial Education

Financial literacy is the foundation for financial inclusion. It is the awareness and knowledge of financial concepts required to manage personal finances. The lack of knowledge about financial concepts and the capability to make informed decisions about personal finances creates a barrier to financial inclusion and financial freedom. Offering financial education to members to enhance financial literacy has always been an essential part of the credit union community. However, according to The National Financial Capability Study, with only 34% of Americans being able to answer four or five on a basic five-question financial literacy quickly (Lin et al., 2019), credit unions realize the importance of reaching more within membership groups and communities. Because of the lack of financial knowledge in the U.S., the cost to Americans was more than $352 billion in 2021(NFEC, 2022)). To close this gap, credit unions need to begin thinking outside the box to provide financial education to our members and not just rely on one way of doing things.

Credit plays a significant role in society that simultaneously creates opportunities and burdens. Opportunities because, if used responsibly, credit can be the avenue for consumers to purchase homes, start businesses, buy vehicles, and build wealth. Credit basically can help consumers achieve financial independence. Conversely, credit can become a burden, especially when consumers are uneducated about the barriers created by not using credit responsibly. According to Hepinstall et al. (2021), roughly 11% or 28 million of the American adult population is credit invisible, 21 million are unscorable, and 57 million are considered subprime because they have adverse credit histories. Each of these barriers causes these adults to have lower scores.

Lenders use credit histories as factors to determine ability and willingness to repay. Because of this, barriers to establishing or obtaining credit arise for those who are overextended, have limited credit and are unable to generate a credit score, and are classified as subprime because of the adverse credit file reporting. These barriers sometimes cause the unbanked and underbanked to rely on alternative loans such as payday, auto title, pawnshop, and online loans that usually carry higher fees and interest rates than traditional bank loans or credit union loans. The payday loan industry accounts for nearly a quarter of financial services spending by underbanked consumers (Schulman, 2021).

Many consumers become trapped in the vicious payday loan cycle, continually rolling over the same high-interest debt, incurring high fees on what was a small loan at origination. These high-cost loans disproportionately belong to minority borrowers, which has reduced financial resources from borrowers and led them into a debt trap that causes financial stress. As a result, African American and Latino communities have an overpopulation of payday lending storefronts. According to IBISWorld, there are approximately 19,717 check cashing and payday loan servicing businesses in the United States (Schulman, 2021). In contrast, NCUA reported 5,133 federally chartered credit unions in September 2020. There is a stark difference between the number of possibly predatory lending institutions and credit unions that should prompt action among financial leaders. Credit Unions are outnumbered by predatory lending institutions and face a unique challenge in educating and assisting communities inundated with these predators.

Bias Decreases Financial Performance

Throughout the day, we process information to help us make decisions. We consciously make most of those decisions, but our unconscious mind helps us sort through the data by taking mental shortcuts for others. These mental shortcuts lead us to a crossroads, whether positive or negative, and factors such as gender, skin color, age, and disability, to name a few, can trigger bias. Psychologists Mahzarin Banaji and Anthony Greenwald coined this as implicit or unconscious bias. The term implicit bias has been widely used and grown in popularity but has seen its share of criticism from those who believe implicit bias is a way to downplay explicit bias – the intentional or conscious awareness of prejudice towards a specific group.

Implicit bias has effects that become visual with consequences that can bring about unfavorable scrutiny on a business and its brand. In 2018, two black men went into a Starbucks in Philadelphia to have a meeting with a friend. They asked to use the restroom, but the employee refused access because they did not purchase anything. Later, an employee asked them to leave, and they declined. The Starbucks staff called the police, and both men were arrested for trespassing when they did nothing wrong. In the first 48 hours of the incident, the recorded video of the incident reached over 4 million views via news outlets, online, T.V., and newspapers worldwide. In this case, the incident at Starbucks became visual and had negative consequences for the company. Boycotts and online protests sparked quickly from this incident. Starbuck's CEO swiftly offered a formal apology to the two men but also arranged to close all stores for a day to conduct racial-bias training, which cost the store nearly $7 million in sales (Ivanova, 2018).

In the wake of the Starbucks case, the death of George Floyd in 2020, at the hands of Minneapolis Police, and so many other social justice issues, leaders in many industries, including the credit union industry, have had candid conversations and made public statements committing to recognize and reduce unconscious bias and step-up efforts and measures of accountability in DEI within their organizations (Smith-Durant, 2020).

The credit union industry's mantra is people helping people, so tackling implicit bias should be easy. But is it really when these biases result from an individual's upbringing, social groups, and experiences? Whether negative or positive, everyone is susceptible to implicit bias. Although everyone is vulnerable to implicit bias, there are negative consequences to any organization that allows implicit bias within the workplace. If ignored, implicit bias can harm the organization's financial performance and recruitment and retention efforts.

Implicit bias can introduce unintentional discrimination, which decreases productivity and increases turnover, ultimately hindering the financial success of organizations. According to the Society for Human Resource Management (SHRM), racial bias costs U.S. businesses $54.1 billion annually, $58.7 billion in lost productivity, and $171.9 billion in turnover (Hirsch, 2021).

Substantial research shows that diversity brings advantages to organizations, specifically increased profitability. A McKinsey report showed that companies in the top quartile for racial/ethnic and gender diversity were 35% and 15% more likely to have financial returns above their national industry medians, respectively (Hunt et al., 2015). The report also showed a linear relationship between racial and ethnic diversity and better financial performance: for every 10% increase in racial and ethnic diversity on the senior-executive team, earnings before interest and taxes (EBIT) rise 0.8% (Hunt et al., 2015).

Bias Negatively Impacts Recruitment and Retention

Research shows that racial equality results in better business outcomes; however, minorities are underrepresented in leadership positions. While the proportion of people of color in entry-level positions is approximately 40%, which is in line with their representation in society, the C-suite positions have dropped 75%, resulting in nine out of ten white people in these positions (Diaz et al., 2021). The Credit Union National Association (CUNA) reported that in 2018, the typical credit union board was 90% white and 8% black, and the typical credit union leadership team was 90% white and 5% black (Salem, 2019).

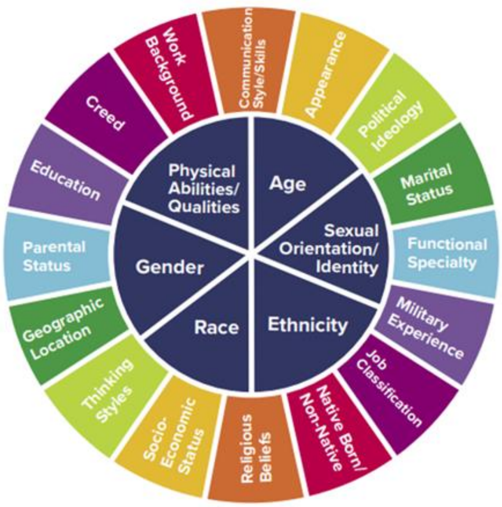
Job candidates, specifically millennials, seek diverse companies with a culture of equity, fairness, chances to climb the ladder, and a wide range of ideas shared by people from different walks of life. According to Glassdoor, “more than 3 out of 4 job seekers and employees (76%) report that a diverse workforce is an important factor when evaluating companies and job offers” (Glassdoor, 2021). Millennials are 44% minority, the most diverse adult generation in American history, and will account for 75% of the workforce by 2025 (Frey, 2018). Recruits, specifically millennials and Gen Z, who rely heavily on social media to research companies, are not likely to join the company if there is even a hint of unfairness or bias within the organization. If recruits do not see the diverse culture they seek, they will find another organization that shares their values.

Reducing bias does not end at recruiting a diverse workforce but instead should be engrained deeply into the organization's culture, having a positive impact on retention. Organizations’ inclusion efforts must ensure the representation of several groups throughout the organization, including leadership positions. However, if employees perceive bias, they are three times as likely not to stay long, which increases turnover. A study by Coqual, found that of employees who perceive bias at work, 34% said they withheld new ideas and solutions from their organization within the past six months, 80% do not refer others to work at their organization, 48% reported searching for another job within the last six months, and 31% said they plan to leave their organization within a year (Hewlett et al., 2017). The impact of bias can have negative consequences for organizations. While there may be challenges to tackling implicit bias, credit union leaders must make a concerted effort to recognize and overcome biases to create more equitable ways of doing business.

RECOMMENDATIONS AND SOLUTIONS

Define Diversity and Inclusion for Your Organization

Credit Unions are cooperative organizations built on the principle of people helping people with a mission to serve the underserved and under-banked communities. The credit union philosophy puts the industry in a unique position to serve a myriad of individual consumers and communities for the good of society overall.



The definition of diversity should be unique to each credit union and consider what would benefit the credit union. The description should not be just about employees, it should also focus on the board of directors, members, vendors, and the communities served. Each organization should determine whether the definition of diversity should be simple or complex, whether it will follow the NCUA's definition of diversity or go beyond it.

Affinity Plus FCU diversity wheel (Simpson, 2022)

The definition of diversity should complement the mission and vision of the credit union. It should be a definition that promotes the varying ways in which employees and members differ while allowing all employees to produce their best work and all member groups to have access to financial services.
CUNA Board Chair Maurice R. Smith "I am proud to be part of a movement that improves the lives of individuals and our communities. Our mission continues to be to provide opportunity and access for all" (Ogden, 2022)

Credit Unions can define inclusion to ensure that their employees feel valued and considered regardless of what group into which they fall. Employees at every level want to have a work environment where they feel accepted, valued, and recognized for their contributions and accomplishments. Managers should encourage open communication and employee feedback, allowing employees to present their ideas, concerns, successes, and failures. Multiple communication channels should facilitate everyone's preference (group, one-on-one, in-person, virtual, anonymous, etc.).

Defining inclusion is not complete without considering members. As credit union leaders define inclusion, they must ensure that all members can benefit from and access all products and services offered by the credit union. Equity complements diversity and inclusion, and credit union leaders can further this by keeping a finger on the pulse of the employee and member experience to gauge successes and opportunities for improvement and fair treatment.

Use Social Media Carefully

Most credit unions use social media to stay in touch with members and potential members. Nevertheless, we all know that once something is on the world wide web, the internet will not erase it. With DEI at the forefront of everyone's minds, credit unions must avoid social media mishaps.

In addition to using social media to promote the credit union's products and services, credit unions should use social media to convey support for tolerance for people of all backgrounds and celebrate these differences. It can also assist in recruitment and retention efforts, tailoring marketing messages to different groups, and underscore that credit unions have always been about people helping people. Members and non-members alike should understand that credit unions are institutions of, by, and for the communities in which they operate, regardless of who the members are or how they identify themselves.

Shelly Black, of the University of Arizona, discusses how organizations can avoid social media mishaps that damage their brand and messaging. She states that organizations should strive to increase diversity because that is what the majority desires. "In their study, participants were shown mock-ups of fictitious university websites and preferred the ones that emphasized diversity." The use of diverse photography and user-generated content (UGC) are the top recommendations. "UGC is a more organic way to incorporate diversity into library marketing. It shows followers a less staged look of the library and its visitors. In a survey of 4,578 social media users in six countries, 76% of respondents reported that they trust UGC more than traditional forms of advertising."

Other significant recommendations are using inclusive language, ensuring accessibility for those with different abilities to ensure Americans with Disability Act (ADA) compliance, and having staff with expertise in online reputation management. She concludes her chapter on the proper use of social media within higher education with a charge as applicable to the credit union industry as academia. She writes, "…changing national demographics, the political climate, and expectations of social media users necessitate content that does not oppress marginalized groups" (Black, 2019).

As credit unions begin to implement DEI programs, they would be wise to heed the lessons learned by other movements concerning how and how not to use social media to attain goals of increased diversity, equity, inclusion, and belonging among all stakeholders in the credit union. In addition to being a legitimate proponent of these desirable goals as both employer and service provider, credit unions must adequately tell their stories through social media. Credit Unions should be seen as a true community partner for a more just and fair society if they are to remain relevant in today's ever-changing financial services landscape.

If the public does not judge credit unions as having something unique to offer compared to impersonal banks, their relevance may dwindle. The use of social media to promote and augment an internal DEI program within the credit union will directly contribute to members, staff, and all other stakeholders feeling part of something that is not just banking but something that makes a substantive difference in society.

Intentionally Improve Financial Inclusion

By innovating new ways to invest in communities, financial leaders have an opportunity to address and reverse financial exclusion. However, these leaders must recognize the challenges consumers face when attempting to access affordable financial products and services that will help them achieve financial independence. The Deloitte Center for Financial Services gives a concise framework that allows leaders to determine priorities, develop processes, and build new relationships to move from strategy to action (Davis, 2021). This framework includes four dimensions – organization, offerings, community, and ecosystem – organizations will see the most significant benefits of financial inclusion when leaders address and align these dimensions within their financial inclusion strategy (Davis, 2021).

Organization Framework

Before addressing the external impact of financial inclusion, leaders must assess and address any internal gaps that may prevent the credit union from adequately reaching the unserved and underserved communities. These gaps begin with improving the financial equity and inclusion among employees. Credit unions employ individuals from different socioeconomic backgrounds, which means some in your institution may live paycheck-to-paycheck or are even underbanked. Employees in this position may access alternative financial services to make ends meet. According to new research, in early 2022, 64% of the U.S. population lived paycheck to paycheck, up from 61% in December and just shy of the high of 65% in 2020 (LendingClub & PYMNTS, 2022). According to MetLife's 2021 U.S. Employee Benefit Trends Study, 86% of employees say finances are a top source of stress, and 27% say they are less productive because of financial worries (Redesigning the Employee, n.d). Credit unions that promote pay equity and financial wellness (including debt management, retirement, life insurance, and easier access to credit products) are more likely to have employees who can manage their finances and ensure properly educated members.

Community Framework

Credit union leaders must begin thinking outside the box to reach all, including the unserved and underserved. Creating local partnerships with established, trusted partners from the community, e.g., faith-based organizations, non-profit organizations, schools, etc., to build trust and educate members about the benefits of using credit unions for their banking services is a crucial step to amplify its commitment to reaching unserved and underserved communities. To ensure credit unions are seen as financially inclusive and trusted, credit union leaders must focus on defining areas relevant to the credit union's community, articulating clear goals and metrics, developing and launching programs that address the plans, and measuring the success. Aligning meaningful financial inclusion goals to the underserved communities will build trust and foster economic growth within the communities.

Long-term community investments play a role in providing affordable financial products and services. Credit union leaders can expand their community development and outreach by becoming certified as Community Development Financial Institutions (CDFIs). When credit unions are CDFI-certified, they can better serve low-income communities and provide financial services to people who lack access to financing. Although becoming CDFI-certified will not completely solve the problem of financial exclusion, this long-term investment can penetrate the surface to enable credit unions to serve low-income communities.

Offering financial education to members is essential to promoting financial inclusion within the credit union industry. Still, credit union leaders must remember that there is no one-size-fits-all approach. Developing and tailoring programs to fit different segments such as generational, single-parent households, and income thresholds, to name a few, is necessary for credit unions to be successful. These programs can be offered and delivered through partnerships with community organizations or developed by credit union staff, but leaders must remember to make programs as accessible as possible. Through research, we found that our credit unions and others offer financial education and literacy programs that promote financial inclusion.

> CapEd Credit Union hosts a yearly, three-day interactive personal financial literacy camp for students ages 11-14. They engage in various economic activities and challenges that teach them about earning, spending, saving, and investing. CapEd also invests in educating children by providing a tool called *It's a Money Thing* that offers videos, infographics, and handouts on financial literacy that participants can use in a classroom setting. CapEd has partnered with Savvy Money to provide its members a solution that includes comprehensive credit score analysis, full credit report, monitoring, and personalized offers.

> Eagle Federal Credit Union has committed to financial education courses within and outside its credit union. This credit union has a financial education blog on its website that is updated regularly and posted on all social media platforms. Eagle has also partnered with MoneyEDU to offer online financial education tailored to meet the needs of the credit union community. They also formed a collaborative agreement with the Louisiana National Guard to provide in-person financial education classes to the cadets in the Youth Challenge Program. The Youth Challenge Program is an alternative educational program that offers adolescents (16-18) an opportunity to change their futures. Most of the students are at-risk youth who have had no experience handling or managing finances. The credit union offers classroom education, one-on-one assistance, and continued education and counseling after graduation from the program. This program allows the credit union to reach young adults who most likely would not have had access to the educational topics on the credit union's website.

> MidSouth Community Federal Credit Union has a close partnership with the Bibb County School District, as the district was its initial seg group. Within this partnership and through the Business Educators Partnership (or BEP Program), the credit union often participates within the school system, volunteering within individual schools, serving on boards that foster community within the area, and serving the city and surrounding cities by providing financial support education individually and within groups. MidSouth Community Federal Credit Union's Johnny Appleseed Account is designed for its youngest members, age 12 and under, to build financial skills early so that they can take those skills into life. This program combines ecology and environmental learning and teaches kids how to save money for the future. Within the organization, with a strategy that is digitally-focused, leadership is developing systems to prepare employees to

educate membership in areas of financial wellness and support. These systems will benefit employees who are members as well. Finding ways to maintain or grow relationships will become even more paramount as the ways in which credit unions serve members continue to evolve and keeping DEI at the forefront will be essential.

Other successful financial education initiatives include providing access to financial education to young adults through local K-12 schools, community colleges, and universities. Some credit unions have also successfully held financial literacy classes for adults at local libraries and community centers. Online and smart device versions of financial literacy programs are also available through companies like Everfi and MoneyEdu. Offering a variety of channels for education and topics such as financial basics, budgeting, car buying, home buying, retirement savings, and wealth management will help credit unions reach all areas of their membership. Providing access to comprehensive financial education that includes knowledge and practical application will help members at any stage of life, which improves the ability for members to engage in meaningful ways with the credit union.

Offerings Framework

Credit unions can drive inclusive growth, restore trust, and boost profits by serving the unserved and underserved. Credit union leaders must keep the barriers to access in mind when developing products and services to help these groups successfully. Dismantling barriers requires leaders to take a deep dive in researching the target markets gap, policy choices, and other obstacles that prevent underserved groups from having full access to affordable financial products and services.

Understanding the credit union's demographic, including current and potential members, is essential in achieving financial inclusion. Data from this research can uncover gaps and create opportunities that will deepen the relationship between the credit union and the community. Once leadership reviews the data, credit union leaders might better picture the community's specific needs. Credit union leaders should often examine its membership demographics to meet the ever-changing community's needs to take this another step further.

Understanding the demographics of a credit union could help leaders determine the processes, products, and services that address members' needs. The more credit union leaders know about its members, the more significant the impact. Credit union leaders can also tap into their community resources to better understand the challenges facing members.

Once credit union leaders understand the members' needs and develop internal processes, products, and services, policies should be updated or developed that offer greater access to underserved populations. Updated policies should change underwriting guidelines that increase access to credit and loan products. Because predatory lenders outnumber credit unions, leaders must ensure they provide education to members and offer products such as payday lending alternatives and credit builder loans. These offerings will help members when they need it most, providing financial counseling to help them out of the vicious cycle to qualify for a regular loan. Policy updates should also bring changes in fee structures that reduce transaction costs, allowing members to make better financial decisions and review alternative credit data for members considered to be "credit invisible." Equitably increasing access to financial products and services for the unserved and underserved population is the outcome of dismantling the barriers that prevent all members from accessing affordable products and services.

Ecosystem Framework

Financial inclusion delivers valuable and innovative solutions to those in unserved and underserved communities. The best way credit unions can unlock this value for their communities is through strategic partnerships. Partnerships help credit unions address the challenges that they face with financial inclusion. Through partnerships, credit unions can deepen member engagement and product usage, gain access to new segments, and create new offerings for members. Partnerships, if made correctly, are a win for the credit union and its members. Whether the partnership is with a CUSO or Fintech, credit union leaders must connect with organizations that share the vision and understand the credit union's goals to maximize the impact on unserved and underserved communities.

Overcome Implicit Bias

Eradicating implicit bias within organizations will not happen overnight, but given what is at stake, implementing steps that mitigate potential issues and avoid non-inclusive practices is crucial. The first step is for credit union leaders to begin by admitting that implicit bias exists in every area of the credit union. Once acknowledging an issue, a significant next step would be to create training to increase awareness among all employees. This training would help identify areas to review and help everyone become aware of their own bias that may spill over into decisions made at the credit union. Ultimately, credit union leaders must establish goals and parameters to help improve diversity initiatives and reduce bias.

Diversity in mission-critical positions where leaders make critical decisions that impact their membership helps eradicate bias. Credit union leaders must act, but not just merely give an appearance of diversity because you can check the box for having one minority as a volunteer or in leadership. Doing so is called tokenism, which provides a false sense of achievement and has no impact or brings about little to no change. Leadership teams must culturally balance positions of authority to mirror the membership, which will leverage diverse perspectives to ensure the voice of people who look like and have had the same experiences as members are at the head table. Leaders should remain open-minded and transparent because transparency fosters an equitable playing field.

Modernizing approaches to recruitment and hiring can eradicate implicit bias. If diversity is the goal in hiring, start by ensuring diversity in the group tasked to hire; otherwise, you run the risk of hiring someone who looks like you, has the same background, and shares the same experiences. Job descriptions play an integral role in recruitment because it is one of the first impressions job seekers get from the credit union. Ensuring that the word choices in job descriptions are inclusive and more neutral would balance out any biases. Finally, use standardized assessments and structured interviews, which are more objective and reduce bias, instead of intuition to make hiring decisions to measure and rate fit. Being objective in the hiring process will ensure that each candidate has a consistent and similar experience.

DEI, just as the credit union's culture and strategies, is fluid and ever-changing, so there must be ever-changing and transparent solutions to eradicating implicit bias. Diverse viewpoints help leaders understand and become informed by perspectives that differ from their own, shifting from one dimension to a multi-dimensional outlook. When various leaders with different backgrounds come together to solve complex problems, their individual cultural experiences intertwine to create innovative solutions that benefit the majority. Credit unions exist to serve their members and local communities, including underserved communities; therefore, the more we can diversify volunteers and leadership in credit unions, the more we will fully serve our purpose.

Participate in Self-Assessments

After reviewing the recommendations and either beginning or continuing your credit union's DEI journey, a logical culmination would be participating in the Self-Assessment as outlined by NCUA. The Credit Union Diversity Self-Assessment (CUDSA or self-assessment) may be a valuable tool for credit unions to determine their current status and progress on their DEI journey.

The joint standards require that each agency develop a self-assessment tool for its regulated entities to perform assessments. The self-assessments are voluntary, and credit unions can submit them to the organization's regulatory agency. NCUA created the Credit Union Diversity Self-Assessment (CUDSA) tool that guides advancing diversity and inclusion in credit unions using these joint standards. It also highlights best practices for demonstrating a commitment to diversity and inclusion (NCUA, 2022).

Credit unions will see where it outlines best practices for creating a more diverse and inclusive credit union when completing the self-assessment. The best practices are:

- Organizational Commitment to Diversity and Inclusion
- Workforce Profile and Employment Practices
- Procurement and Business Practices – Supplier Diversity
- Practices to Promote Transparency of Organizational Diversity and Inclusion
- Entities' Self-Assessment

NCUA views the goal of the voluntary self-assessment as a baseline for evaluating diversity and inclusion in the credit union system. Individual credit union assessment results will not be shared with examiners and will have no bearing on CAMEL ratings (NCUA, 16-CU-05, 2016). Any federally insured credit union may voluntarily submit a self-assessment to the Office of Minority and Women Inclusion (OMWI). NCUA plans to use the information in the aggregate to monitor progress and trends of the credit union system's diversity and inclusion activities in employment and contracting and highlight successful diversity policies and practices (NCUA, 15-CU-05, 2015).

Participation in the self-assessment remains low, with only 118 of 5,236 credit unions submitting self-assessments in 2019. Increased involvement of credit unions would provide better analytical data on how successful credit unions are in the DEI movement.

CUNA, Filene Research Institute, and other credit union organizations continue to conduct surveys and research credit unions in the DEI movement. The participation and cooperation of credit unions in this research continue to assist other credit unions and the credit union movement in facilitating successful DEI programs.

When credit unions complete the self-assessment, they can evaluate the effectiveness of their efforts towards DEI and create a roadmap for areas on which to focus as time progresses. The self-assessment could be a measuring stick to ensure that the credit union adequately considers the first four best practices from the joint standards.

SUMMARY AND CONCLUSIONS

Our paper shows that DEI is a remedy for significant problems with which credit unions and society generally are wrestling. Implicit and explicit bias can have far-reaching adverse effects whose consequences are not always immediately known or understood but that harm individual and group outcomes. Organizations that actively seek to provide a more just and fairer workplace stand to benefit by identifying these problems and implementing programs, policies, and practices to counteract their influence.

Understanding the differences between diversity, equity, and inclusion definitions is essential, as not fully understanding the problem can lead to wrong conclusions and approaches. Diversity refers to the differences between two or more people, whatever form they might take (e.g., differences of race or gender). Equity refers to the treatment of people the outcomes for people in similar roles (e.g., whether two equal performers receive the same pay or rewards). Inclusion refers to people's feelings about whether they feel valued and included in the workplace. This component is more difficult to ascertain than the other two because it is subjective but must still demand attention. When all three parts of DEI are in sync, a sense of belonging is the natural outcome.

Social media has become the single most significant tool for disseminating information about situations society perceives as unfair or unjust. Credit unions and others must recognize that the power to bring attention to issues in their organizations by disgruntled staff or unhappy members or customers is only one tap or click away on the affected person's device. Credit unions would do well to ensure that DEI is incorporated into the culture so that conditions that give rise to claims of unfair treatment cannot exist in the first place. Conversely, proper use of social media can bolster the perception of institutions as environments in which DEI is a guiding principle.

Credit unions have been about people helping people from the very beginning. Too often, minority households make up a disproportionately large segment of the population that are underbanked or unbanked altogether. Recruiting these underserved citizens and educating them about the benefits of credit unions is the right thing to do to protect them from predatory institutions such as payday lenders. Escaping from poverty requires that the least affluent among us learn how to build wealth. Since credit unions value members as opposed to customers at banks, they have the support to help the underprivileged get ahead through counseling on the proper use of credit, budgeting, and savings goals.

The regulatory oversight body for credit unions, NCUA, issued a letter to credit unions in 2015 encouraging them to review the joint standards put into a policy statement on encouraging diversity in the workplace. While not an enforceable policy per se, it is encouraging that the credit unions regulator sought to promote DEI within the credit union movement. This focus on DEI has an intangible effect of bringing attention to the need for more diversity, something that might not have otherwise come to the attention of boards of directors. On a positive note, research in 2019 by CUNA, a trade association, showed that a slight majority of credit union CEOs were women. This research demonstrates credit unions' promise to be champions of change. While the ideal representation of people of color, LGBT+, and others are still needed at the executive level and in the board room, the credit union movement continues to make progress.

Unconscious discrimination, or implicit bias, affects all human beings. Based on how, when, and where a person grew up and other experiences they've had in their lives, people tend to catalog others by their expectations based on previous experience with others who may look, talk, or act similarly. Unfortunately, implicit bias has real-world consequences for those mistreated by the powers-that-be due to being stereotyped by others in an unequal power dynamic and those taking actions based on this bias. Studies show that unintentional discrimination decreases productivity among staff and increases costly turnover, producing a drag on the institution's overall financial performance. Conversely, organizations promoting DEI enjoy lower turnover rates and greater productivity. Younger generations, Millennials and Gen Z, are the most diverse in history and strongly value a diverse workforce where leaders treat employees in a way that they consider to be fair.

DEI as a subject has received much interest in recent years, though its parts are hardly new areas of study, discussion, debate, and policymaking. What is new is the increased focus on DEI as both a journey and a destination within all facets of society, but especially within corporate America, whether the organization is for-profit, non-profit, or not-for-profit. Astute leaders recognize that promoting a culture of respect for people from diverse backgrounds has intangible yet valuable benefits. Providing an environment in which unique groups of people can expect equitable access to resources and opportunities and fostering a sense of inclusion among all stakeholders will ultimately lead to a more stable workforce with higher retention rates and a more loyal customer. Another benefit of valuing DEI as an organization is to have a member base that recognizes the organization's additional social value to society.

As both the end goal and the means to achieve the goal, DEI is finding its way into board room discussions, executive team meetings, employee training programs, hiring policies and practices, marketing plans, business decisions, and public statements around social responsibility. Its implications are vast, and organizations that recognize its successful adoption and implementation as a guiding principle will be well-positioned to be more successful than their peers who do not.

Credit unions are inherently suited to incorporating DEI into their vision and mission as organizations since they came into existence to provide financial services to lower-income and lower net worth individuals whom banks were ignoring. Credit unions have always been champions of the less advantaged. They must continue to be leaders in the ongoing demolition of barriers that prevent their stakeholders from feeling like they can be their authentic selves. The credit union movement and society depend on us to recognize that each person brings something unique to the organization and has inherent worth. An institution that celebrates these differences will be more critical and thrive in our increasingly diverse societies. The whole is said to be greater than the sum of its parts, but without acknowledging each of the parts' crucial role, the total may not have the longevity it might otherwise have.

Researching DEI for our paper has provided numerous insights into the challenges that lay before us as credit union professionals. While credit unions generally fare well in having a diverse workforce, there is still a significant underrepresentation of diversity in upper management roles and within boards of directors. There is no perfect formula for implementing or managing an ongoing DEI program because each credit union is unique with its challenges and may define the components of DEI differently than another credit union across the country or even within its community.

Small credit unions often do not have the resources larger ones do to hire consultants specializing in implementing DEI programs. Implementing an effective DEI program can be time-consuming. Staff members for whom it is crucial may choose to leave the credit union if they perceive that management does not prioritize it. In addition to staff, members for whom DEI is very important may decide to take their business elsewhere if they perceive the credit union is not embracing DEI as an operating principle.

Despite challenges, credit unions have an enormous opportunity to be part of the solution to promote fairness in business and society more broadly. The simple fact of so much discussion about the topic is an advance itself. The NCUA held its second DEI Summit in 2021, a three-day affair with panels comprising diverse speakers from government, academia, credit unions, and other fields. While the specific path a particular credit union will take in its DEI journey is likely to be unknown at the beginning, what is known is that the need for a well-devised DEI program exists everywhere. When credit unions put the plan into action, we will all benefit when people from all corners of society feel they are being treated equitably and have a sense of belonging in the workplace.

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APPENDIX A

NCUA's Letter to Credit Unions Addressing the Joint Standards

NCUA LETTER TO CREDIT UNIONS

NATIONAL CREDIT UNION ADMINISTRATION
1775 Duke Street, Alexandria, VA 22314

DATE: June 2015 LETTER NO: 15-CU-05

TO: Federally Insured Credit Unions

SUBJ: Standards for Assessing Diversity Policies and Practices

ENCL:
- Final Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity Policies..
- Voluntary, Sample Credit Union Self-Assessment Checklist

Dear Board of Directors and Chief Executive Officer:

As required by Section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the NCUA Board has approved a final interagency policy statement to establish standards for assessing the diversity policies and practices of federally insured credit unions.

This policy statement is *not* a new rule or regulation. It does *not* create any legal compliance obligations; implementation or use of the diversity standards is completely *voluntary*. NCUA will *not* incorporate the review of credit union diversity policies and practices in our examination and supervision program.

However, especially if your credit union has at least 100 employees, you and your human resources officials are encouraged, where applicable, to review the enclosed interagency policy statement detailing best practices for advancing workforce and supplier diversity.

Each year, you will have an opportunity to conduct a voluntary self-assessment of your credit union's diversity initiatives. A voluntary, sample Self-Assessment Checklist is enclosed with this letter.

In accordance with Paperwork Reduction Act requirements, the effective date for collection of information from these voluntary submissions will be announced in the *Federal Register* following approval from the U.S. Office of Management and Budget (OMB).

NCUA will aggregate credit unions' self-assessment data anonymously, then submit it as part of the annual report to Congress from NCUA's Office of Minority and Women Inclusion (OMWI).

SCOPE OF APPLICATION

The enclosed diversity standards are not a "one-size-fits-all" approach, but a flexible listing of leading diversity practices. Each credit union may use the standards in a manner appropriate to its unique characteristics.

When developing the diversity standards, agencies focused primarily on entities with more than 100 employees.[1] Credit unions and banks with more than 100 employees are usually required to file an EEO-1 Report on workforce diversity annually.[2]

Nearly ten percent (619) of all federally insured credit unions currently have 100 or more employees. These 619 credit unions employ 68 percent of all employees working in all federally insured credit unions. NCUA Call Reports show that 64 percent of the 619 credit unions required to file the EEO-1 Report also self-report having a diversity program in place.

NCUA understands that credit unions with a small number of employees, or located in rural areas, face different diversity challenges compared to larger regulated entities, or those located in more diverse urban areas.

DEFINITION OF DIVERSITY

The interagency policy statement defines diversity as minorities and women, consistent with Section 342(g)(3) of the Dodd-Frank Act. Minorities are defined as Black Americans, Native Americans, Hispanic Americans, and Asian Americans.

In addition, the policy statement provides flexibility for your credit union to establish its own broader definitions for diversity. Broader definitions may be especially appropriate if your credit union is located in an area where there are limited minority populations. For example, broader definitions may include persons with disabilities, veterans, and lesbian/gay/bisexual/transgender individuals.

Per the intent of Section 342 of the Dodd-Frank Act, NCUA encourages credit unions, where feasible, to strive to accomplish a diverse workforce, consider diversity in contracting activities, and employ staff that reflect the diversity within their respective fields of membership.

BEST PRACTICES RECOMMENDED TO ASSESS DIVERSITY STANDARDS

The enclosed interagency policy statement details best practices for a credit union to voluntarily assess its diversity and inclusion policies and practices in five distinct areas. The focus of each area is summarized below, with more detailed information on each area contained in the enclosed interagency policy statement:

1. Organizational Commitment to Diversity and Inclusion: This set of diversity standards measures the credit union's overall, top-level commitment to diversity and inclusion in employment and contracting. The diversity standards also provide guidance on how to cultivate an environment that embraces diversity and inclusion throughout the organization.

   These standards highlight the importance of the role and commitment of senior leadership in promoting diversity and inclusion throughout the organization.

2. Workforce Profile and Employment Practices: This set of diversity standards illustrates efforts for promoting the fair inclusion of minorities and women in the applicant pool for vacancies within the workforce at all levels. Consistent with existing EEOC guidelines, all credit unions must ensure equal employment opportunities for all employees and applicants for employment, and must not engage in unlawful discrimination based on gender, race, and ethnicity.

   The diversity standards highlight the use of analytical tools, including metrics, to measure and track the level of inclusiveness within the workforce. The use of analytical tools neither encourages nor requires the unlawful use of quotas, classifications, or preferences for personnel actions. You may expand your outreach to provide a diverse applicant pool for vacancies, but still hire the most qualified person for each position.

3. <u>Procurement and Business Practices – Supplier Diversity</u>: This set of diversity standards illustrates efforts for promoting the fair inclusion of minority- and women-owned businesses in the participation of contracting opportunities. It encourages credit unions to provide an avenue for qualified minority- and women-owned businesses to bid on contracts meeting certain criteria as determined and established by the credit union (e.g., bidding for all contracts greater than $10,000).

   These standards also highlight the use of metrics for measuring and tracking the level of minority- and women-owned business inclusiveness in contracting opportunities. Building a Supplier Diversity Program can be a challenge and takes time.

4. **Practices to Promote Transparency of Organizational Diversity and Inclusion:** This set of diversity standards provides best practice examples for how credit unions can appropriately communicate information about their diversity, inclusion efforts, and progress made in a transparent manner through normal business methods. These methods may include displaying the results of a credit union's diversity assessment, diversity metrics or profiles, and diversity efforts on its website, or within its written annual report to members, or both. Examples of such transparency from NCUA's diversity and inclusion practices can be found in our OMWI Congressional Reports.

   Transparency means providing insight into your credit union's considerations, but transparency does *not* require you to share confidential and proprietary information. Transparency is not just metrics; it's about telling your credit union's full story or journey to embrace or enhance diversity and inclusion through your efforts. Examples of information to share for transparency include:

   - Detailed information on diversity and inclusion efforts;
   - Demographic information on workforce composition;
   - Demographic information on board members and other officials; and
   - Sponsorships or partnerships with diverse organizations.

   You may consider publishing information about procurement activities and about how to do business with your credit union.

5. <u>Entities' Self-Assessment</u>: This final set of diversity standards provides guidance on performing a self-assessment at your credit union, and steps to take after the self-assessment is completed. In general, you may perform the self-assessment by comparing your existing diversity and inclusion policies and practices against the above diversity standards; summarizing the information; communicating that information through normal business methods; and voluntarily providing such information to NCUA annually.

HOW NCUA WILL COLLECT AND REPORT CREDIT UNION DIVERSITY SELF-ASSESSMENTS

NCUA will welcome these voluntary submissions after the effective date for the collection of information. There will be an interagency notice in the Federal Register upon OMB approval of the collection of information.

Any federally insured credit union, including those chartered by a state regulator, may voluntarily submit a self-assessment by mail to OMWI[3] or by e-mail to OMWImail@ncua.gov.

NCUA will *not* publish diversity information that identifies any particular credit union or individual, unless a credit union consents in writing to such use.

NCUA plans to use such information in the aggregate for the purpose of monitoring progress and trends of the credit union system's diversity and inclusion activities in employment and contracting, and to highlight successful diversity policies and practices, primarily in NCUA's annual OMWI Congressional Report.

In summary, the Dodd-Frank Act encourages, but does not require, financial depository institutions including credit unions with larger employee bases (e.g., over 100 employees) to consider adopting and incorporating these interagency diversity standards into ongoing business and hiring practices.

It has been demonstrated that diversity best practices are also good business practices. Hiring qualified staff and vendors that reflect the diversity of your field of membership enriches the employee experience, enhances output, and extends member outreach. If you are not already engaged in such activities, you might want to consider the appropriateness of these diversity standards for your credit union.

This voluntary collection will *not* be part of any NCUA examination process. Likewise, the state regulator for federally insured, state-chartered credit unions will not be involved with the collection or review of diversity assessment reports.

If you have any questions, please contact NCUA's OMWI at (703) 518-1650 or by email at OMWImail@ncua.gov.

Sincerely,

/s/

Debbie Matz
Chairman

[1] In addition to NCUA, the agencies include the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Bureau of Consumer Financial Protection, and the Securities and Exchange Commission.

[2] Private employers with 100 or more employees and federal contractors and first-tier subcontractors with 50 or more emloyees that have a contract or subcontract of $50,000 or more, or serve as depository of Government funds in any amount, are required by Title VII of the Civil Rights Act of 1964 to collect data on employment diversity and file an EEO-1 Report with the Equal Employment Opportunity Commission (EEOC). h ttp://www.eeoc.gov/employers/eeo1survey/2007instructions.cfm.

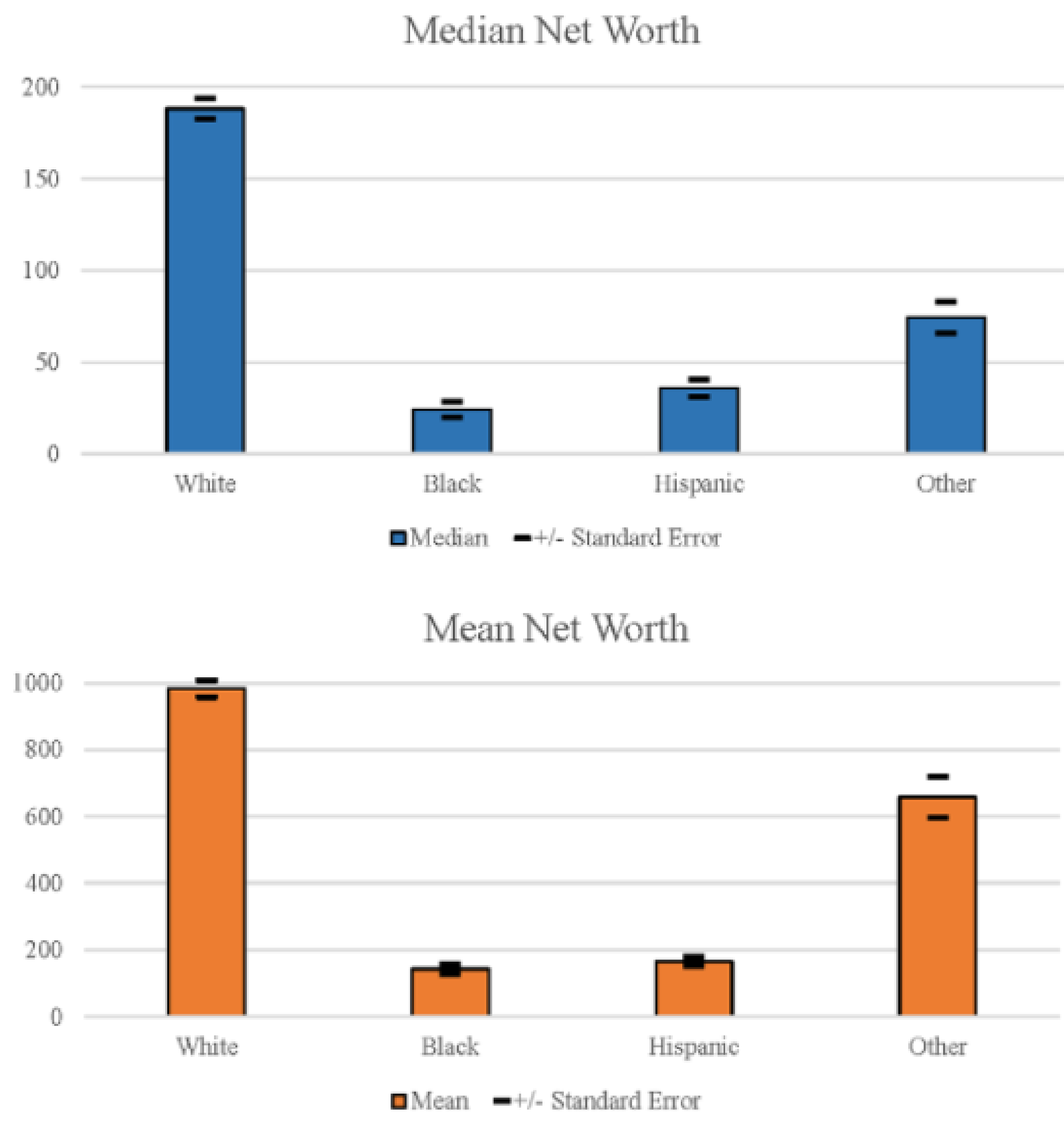
[3] Office of Minority and Women Inclusion, National Credit Union Administration, 1775 Duke St., Alexandria, VA 22314

Last modified on 03/25/21

APPENDIX B

Federal Reserve survey: Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances

Figure 1. White families have more wealth than Black, Hispanic, and other or multiple race families in the 2019 SCF.



Source: Federal Reserve Board, 2019 Survey of Consumer Finances.

Notes: Figures displays median (top panel) and mean (bottom panel) wealth by race and ethnicity, expressed in thousands of 2019 dollars.