Written Testimony
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Holding Financial Regulators Accountable for Diversity and Inclusion: Perspectives from the Offices of Minority and Women Inclusion
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Chair Beatty, Ranking Member Wagner, and distinguished Members of the Subcommittee, thank you for the opportunity to share my perspectives on how Section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) has been the catalyst for driving diversity and inclusion efforts at Treasury's Departmental Offices (Treasury).

"Diversity and Inclusion" has emerged as a discipline over the past fifty or so years. But I prefer to trace the origin of these values in this country to the words inscribed on the Great Seal of the United States, "E Pluribus Unum," out of many, one. Of course, hundreds of thousands of people were enslaved[1] when we included that motto in the first design of the Great Seal in 1776.[2] So, our nation's practices did not reflect our founding principles when that motto came to be. But it can be celebrated that this has been our nation's longstanding ideal and our continuing quest to this day. So, I'm pleased to have this opportunity to share the ongoing work toward this end throughout Treasury's headquarters.

I have had the privilege of serving as the OMWI Director since the office was first established in 2011. I have a firsthand perspective of Treasury's accomplishments and challenges in diversity and inclusion for nearly a decade. I will briefly touch on a few of the highlights that are detailed in the ninth *Office of Minority and Women Inclusion Annual Report to Congress,*[3] as well as some noteworthy occurrences amid the current pandemic.

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[1] According to the first U.S. Census, conducted in 1790, 14 years after American Independence, 694,280 people were enslaved. https://www2.census.gov/library/publications/decennial/1790/number_of_persons/1790a-02.pdf
[2] http://www.greatseal.com/committees/firstcomm/index.html
[3] https://home.treasury.gov/system/files/2016/OMWI-FY19-Annual-Report-FINAL-SUBMISSION.pdf

Treasury has continued to increase its use of minority-owned and women-owned businesses. In FY 2019, more than one-third (34 percent) of the contract obligations for Treasury Departmental Offices, amounting to $112 million, were awarded to minority-owned and women-owned businesses (accounting for overlapping categories). Contracts to women-owned businesses alone accounted for 23 percent, in the amount of $75.9 million; and those to minority-owned businesses alone accounted for 25 percent, in the amount of $82.1 million. These were among the highest levels since OMWI began tracking minority-owned and women-owned business contracting in FY 2011. Utilization of minority-owned and women-owned businesses is not limited to minor purchases, but occurs across five of the seven industry categories in which Treasury Departmental Offices spends the majority (approximately 77 percent) of contract award dollars.

Since March of this year, Treasury also has been tracking contracts made specifically for COVID-19 related purchases. This includes purchases for such goods and services as information technology design, wired telecommunications services, medical and cleaning supplies, and legal services. Nearly $14 million (10 percent) for such purchases has been from minority-owned businesses and nearly $15 million (11 percent) has been from women-owned small businesses.[4]

Treasury conducts targeted efforts to reach diverse businesses with information about doing business with Treasury and new contracting opportunities. In FY 2019, Treasury hosted a series of vendor outreach sessions reaching over 3,400 small, minority-owned, and women-owned businesses as prospective contractors. Special outreach to Historically Black Colleges and Universities has been conducted to better position them to compete for federal contracts.

Treasury supports small and minority-owned financial institutions. Of all the federal financial agencies represented at today's hearing, Treasury is the only one that is not a regulatory agency. Therefore, the provision of Dodd-Frank Act Section 342 pertaining to the diversity policies and practices of regulated entities[5] does not apply to Treasury. In 2018, Treasury

[4] Data extracted from FPDS-NG on August 27, 2020 including cumulative contract actions from March 13 through August 24, 2020

[5] Section 342 (b)(2)(C) of the Dodd-Frank Wall Street Reform and Consumer Protection Act

launched a program to engage large commercial banks in mentor relationships with small and minority-owned banks as protégés. The aim of the Treasury Bank Mentor-Protégé Program has been to increase the capacity of protégé banks. The program is serving to strengthen and sustain small and minority-owned banks to better serve low- to moderate-income communities and potentially serve as financial agents to Treasury. Currently, there are fourteen banks participating in the program and among them eight established mentor-protégé relationships. There are five large mentor banks and nine small and minority-owned protégé banks. Several other banks are in various stages of the relationship development process.

Secretary Mnuchin has been a strong advocate and partner in expanding the Bank Mentor Protégé Program and bringing minority business leaders together to advance such initiatives. In addition to hosting roundtables and smaller gatherings, this year Treasury hosted the Freedman's Bank Forum, convening over 200 professionals to engage in a dialogue that both informs and highlights the Federal government's programs and policies related to Minority Depository Institutions (MDI) and promotes opportunities that support economic development for all American communities.

Treasury supported MDI participation as lenders in the Paycheck Protection Program (PPP). The unprecedented PPP was established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act) in response to the economic fallout of the COVID-19 pandemic. The PPP provided small businesses with critical funds to support payroll costs and certain other business expenses.

Throughout the PPP process, the SBA and Treasury worked tirelessly to expand the reach of the program to ensure that traditionally underserved communities have the resources they need, so that the broadest possible segment of small businesses would have the opportunity to access the PPP. Guidance was issued calling on lenders to redouble their efforts to assist eligible borrowers in underserved communities. On July 30, 2020, Treasury and SBA participated in a roundtable discussion with executives from MDIs; the discussion focused on the MDIs' experiences as lenders in the PPP, including their work to serve small businesses in low- and moderate-income communities.

As of August 8, 2020, when the PPP closed to new loan applications, 175 MDIs had approved over 123,000 PPP loans that provided more than $10 billion to small businesses.[6] In addition, 27 percent of all PPP funds have been distributed to low- and moderate-income communities, which is in proportion to their percentage of the population.

Treasury strives to increase workforce diversity at all levels of the agency. The representation of Black and Asian employees in the overall workforce in Treasury's headquarters is at or above nearly all of the relevant benchmarks. But there is a need for continued efforts to increase Hispanic representation in the overall workforce. We have placed particular emphasis on increasing race and gender diversity in senior management and executive positions, as well as in major mission-critical occupations. Our continuing challenge is to identify and mitigate any and all barriers to the employment, retention, and advancement of women and minority groups in specific areas of the workforce.

Treasury strives to promote a workplace culture that is inclusive, including increasing awareness of unconscious bias and promotion of management practices that ensure fairness. Toward that end, we provide a broad array of training to promote management competencies in inclusive diversity. This year, following the George Floyd tragedy, the eight OMWI agencies collaborated to conduct a joint training that brought together 9,000 of our employees for a frank conversation about race and racism.

Treasury works to inspire tomorrow's leaders. We conduct the Treasury Scholars Program, which hosts talented minority student interns at Treasury's headquarters. Students come from leading colleges and universities, including Historically Black Colleges and Universities and Hispanic-Serving Institutions. These students gain marketable skills working with managers in critical areas, such as national and international economic policy.

[6] https://home.treasury.gov/system/files/136/SBA-Paycheck-Protection-Program-Loan-Report-Round2.pdf

Treasury is in the process of establishing an agreement with the Economics Department at a Historically Black University to engage students in experiential learning experiences with economists at Treasury. This is part of a program sponsored by the American Economics Association to prepare talented undergraduate students with skills for successful doctoral studies in economics. We also hope that these experiences will inspire students to consider public service careers, as well as position them for future employment at Treasury.

Treasury advances financial literacy. The Secretary of the Treasury serves as Chair of the Financial Literacy and Education Commission (FLEC), comprising 23 federal government entities, created in 2003 to improve "the financial literacy and education of persons in the United States." Treasury provides expertise and support to the FLEC, and works to empower more Americans to create financially secure futures for themselves and for their families.

In FY 2019, Treasury and FLEC issued reports on financial literacy reform and best practices for financial literacy and education in higher education. The first report, issued by Treasury and entitled *Federal Financial Literacy Reform: Coordinating and Improving Financial Literacy Efforts*,[7] includes a number of recommendations to enhance coordination of federal financial education activities and to prioritize key areas of basic financial capability (including access to financial services, saving, and credit), retirement savings and investor education, housing counseling, postsecondary education, and military and their families.

The second report, issued by FLEC and entitled *Best Practices for Financial Literacy and Education at Institutions of Higher Education*,[8] provides recommendations for higher education institutions to deliver effective financial literacy education to help students make informed decisions and avoid pitfalls associated with financing education. Best practices for evidence-based, effective financial education covered in the report include:

- Providing clear, timely, and customized information to inform student borrowing
- Effectively engaging students in financial literacy and education

[7] https://home.treasury.gov/system/files/136/FFLRCoordinatingImprovingFinancialLiteracyEfforts.pdf
[8] https://home.treasury.gov/system/files/136/Best-Practices-for-Financial-Literacy-and-Education-at-Institutions-of-Higher-Education2019.pdf

- Targeting different student populations by use of national, institutional, and individual data
- Communicating importance of graduation and major on repayment of student loans
- Preparing students to meet financial obligations upon graduation.

This report was highlighted at a November 2019 event attended by a wide array of higher education institutions. The report was shared widely by the Education Department's Federal Student Aid and has been widely cited by higher education organizations.

Throughout 2020, Treasury's coordination of the FLEC has proven useful in response to the financial challenges stemming from the COVID-19 national emergency. Federal agencies have worked together to meet these challenges and provide resources and tools to a wide range of diverse populations. For example, IRS has worked with the FDIC to help unbanked people find and open bank accounts in order to quickly and safely receive their Economic Impact Payments (EIP); HHS's www.youth.gov website has disseminated information on access to EIP to youth-serving organizations, such as those serving foster youth; and the Federal Trade Commission has worked with Treasury to inform Americans about possible EIP scams.

Treasury invests in underserved communities. In FY 2019, Treasury continued to invest millions of dollars to support underserved communities through the Community Development Financial Institutions Fund (CDFI Fund) and the Small Business Lending Fund (SBLF). CDFIs are mission-driven financial institutions (banks, credit unions, loan funds, and venture capital funds) certified by the Department of the Treasury's CDFI Fund. They share a common goal of expanding economic opportunity in the most distressed and underserved communities. CDFIs provide a wide range of lending, including consumer, small business, affordable housing, commercial real estate, charter schools, health care centers, community services, non-profits.

Over the past decade, CDFI Fund program recipients have reported that nearly 40% of their lending activity, totaling $19.2 billion, has been in predominantly minority communities (census tracts where 50% or more of the population is part of a minority community).

Since its inception more than twenty-five years ago, the CDFI Fund has provided $2.6 billion through its flagship assistance program, the CDFI Program. In FY 2019 alone, the CDFI Fund granted more than $197 million in CDFI Program awards to support affordable lending, small business lending, and homeownership loans nationwide, as well as technical assistance activities. $18.2 million of those funds was specifically targeted for Persistent Poverty Counties—those counties where 20% or more of the population has lived in poverty over the past 30 years.

The Small Business Lending Fund (SBLF) was established by the Small Business Jobs Act of 2010. The fund specifically is dedicated to providing capital to qualified community banks and CDFI Fund certified community development loan funds to stimulate small business lending in communities across the United States. The purpose of the SBLF is to encourage community banks, loan funds, and small businesses to work together, help create jobs, and promote economic growth in these communities.

Treasury invested over $4.0 billion that has been leveraged by lending institutions participating in SBLF to increase their lending to small businesses that support local economies across the nation. From this $4 billion investment in 2011, there has been $19.1 billion in cumulative lending through the end of June 2019 (the third quarter of FY 2019).

In conclusion, Treasury has made much progress, but we acknowledge that much work remains. We can achieve more and we will. Through the efforts of the OMWI team to methodically quantify and qualify our progress against benchmarks and aspirations, we know where gaps exist, barriers reside, and challenges remain. We also know that leadership commitment, accountability measures, and strategic action are the formula for advancing positive changes toward inclusive diversity.

As Americans, we live in one of the most multi-ethnic, multi-racial, and culturally diverse nations in the world. In the spirit of “E Pluribus Unum,” we take seriously our obligation to ensure that those who do the work of Treasury, as employees, contractors, or financial agents, are representative of the beneficiaries of our work—the American people.