

Measuring Change

Diversity cannot be beneficial unless organizations understand and implement best practices that embrace inclusion—we see how far companies have come 50 years after the Fair Housing Act was introduced.

By Radhika Ojha

This year marks the 50th anniversary of the introduction of the Fair Housing Act, which promotes equal housing opportunities regardless of race, color, gender, familial status, or religion. The act also protects property activities such as sale, rental, and financing of real estate from discrimination. From a mindset of merely complying with this act in 1968 to making diversity and inclusion (D&I) initiatives for equal housing a part of their business strategy, the industry has come a long way from when this act was first introduced.

The business case for D&I becomes especially important in today's housing market as the homebuying population continues to become more multicultural, span new generations, and break down barriers across gender lines. Today, the industry faces a new set of questions such as what can be done to create a more inclusive workforce, one that not only includes individuals from diverse backgrounds, but also gives a competitive edge in the marketplace. Most importantly, the industry is trying to answer the question of moving beyond the organization to unlock the true value of D&I.

View from the Top

The accountability to encourage the participation of a diverse workforce begins at the top, and the top management of many banks has stepped up to the plate, actively taking part in and guiding D&I as the overall business strategy in America and beyond.

In June 2017, 175 CEOs from leading global companies signed a pledge that started a new CEO-led alliance called the CEO Action for Diversity & Inclusion that focuses on creating an equal workplace for all.

Today, that movement has grown to include 400 leaders, with many of the signatories including CEOs of some of the biggest banks and financial institutions. These signatories have pledged to three core commitments: continue to cultivate workplaces that support open dialogue on complex, and sometimes difficult, conversations about D&I; implement and expand unconscious bias education; and share best known—and unsuccessful—actions. To date, more than 400 actions were submitted across 19 key topic areas.

Mary Mbiya, Director of D&I at Flagstar Bank, one of the many

organizations that has signed the CEO Action for Diversity & Inclusion pledge, said, “Leadership commitment is very important to D&I, and our CEO demonstrated that by signing the pledge. This set the tone from the top, which has led to tremendous engagement by our employees.”

Banks like Wells Fargo are not only members of this coalition but have also supported legislations that encourage diversity beyond the workplace.

“In addition to standing against the potential deportation of an estimated 800,000 young adults in the U.S., our CEO joined other business leaders in signing an open letter that supports the Deferred Action for Childhood Arrivals (DACA) program,” shared **Brad Blackwell**, EVP and Head of Housing Policy & Homeownership Growth Strategies at Wells Fargo Home Lending.

Lending institutions with a global reach, like Bank of America, hold the top management responsible for ensuring equality beyond America through D&I initiatives. “Our Chief D&I Officer Cynthia Bowman leads our Global D&I Organization (GDIO), which partners with businesses and regions to develop D&I strategies,

recruit diverse talent and manage our global diversity sponsorships and partnerships,” said **Kathy Cummings**, SVP, Homeownership Solutions and Affordable Housing Programs, Bank of America. Cummings also Chairs the American Mortgage Diversity Council (AMDC).

The GDIO fosters employee engagement and inclusion through the management of the bank's 11 employee networks consisting of more than 240 global chapters and 100,000 memberships worldwide.

“We understand to see true inclusion it's important that we have a foundation where our leaders are accountable. Everyone plays a key role, and everyone has responsibility,” said **Sean Grzebin**, Head of Consumer Originations at Chase Home Lending. “If I were picking the one thing that's made the biggest impact, I'd say it's that emphasis on management accountability.”

A key aspect of management accountability is also to ensure that the message from the top trickles down the organization. At TD Bank for example D&I isn't just a “side-of-the-desk, nice-to-do activity,” according to **Rick Bechtel**, Head of US Mortgage Servicing. “It's a collective



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From appointing a D&I champion for each business unit to practicing diversity even within the top management, lenders are looking at new ways to ensure that everyone within the organization is looking at D&I strategically.

"Our D&I goals are driven by the top management with goals, objectives, and strategies in D&I communicated top down as part of our overall core objectives for the year; the D&I champion helps us keep track of these goals," said **Doris Raimundi**, SVP, Mortgage Servicing, US Bank.

"The Federal Home Loan Bank of Chicago supports D&I through our workforce, senior leadership team, and Board of Directors. They include a broad mix of individuals with a variety of ideas, differing viewpoints, thought processes, backgrounds, and experiences all of which are valued," said **Steve Thomas**, SVP, Mortgage Capital Markets, at FHLBC.

As part of being accountable, it's also important for leaders to truly move beyond the known and seen dimensions of diversity and dig deeper to get over any unconscious bias that might creep in while recruiting a diverse workforce. According to the University of California's Office of Diversity and Outreach, "Unconscious, or implicit biases are social stereotypes about certain groups of people that individuals form outside their conscious awareness. Everyone holds unconscious beliefs about various social and identity groups, and these biases stem from one's tendency to organize social worlds by categorizing."

Diversity of Mind

In a recent interview with McKinsey Publishing's Rik Kirkland, Larry Fink, CEO, BlackRock discussed why ensuring "diversity of mind" or various viewpoints was as important to recruiting a talented workforce and getting over

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unconscious bias.

"The most important component of good management, good leadership, and good stewardship is making sure that you have diversity of mind," Fink told Kirkland. "When you recruit young people from different universities, they all can't come from an Ivy League school. You must start from the foundation that people come from different experiences, and they have different opportunities. If you don't interview a diverse group of people from different universities, different state schools, and various parts in the world, you are not going to get diversity of mind. If you hire all business majors, all engineers, or all people who have one field of expertise, you're going to fall."

To ensure diversity, Walker & Dunlop recruits and sponsor employees from diverse schools and backgrounds, according to **Paula Pryor**, the company's EVP,

Human Resources.

The company works with groups such as Management Leaders for Tomorrow, Future Leaders, and YearUp to educate themselves in their areas of expertise and to push out the fences on recruitment resources. Walker & Dunlop also hires at least two interns every year through Management Leadership for Tomorrow (MLT), which connects African American, Latino and Native American college graduates to opportunities that build their skills and connections.

"Our human resources and legal teams audit processes for unconscious bias and provide sustained support to our business leaders as they work to broaden opportunity for people with diverse backgrounds and skill sets to get into the company and to succeed once onboard," said Pryor.

Texas Capital Bank's recruiters look at mitigating unconscious

bias holistically by also looking at aspects such as diversity in professional experiences and skills, apart from the more obvious areas such as gender and cultural background. "We do this to ensure that the recruiting process reduces any bias and that the firm is comprised of individuals who share our values and bring diversity of thought," said **Kim Arnold**, SVP, Director of Talent Development and Diversity & Inclusion at Texas Capital Bank.

Diversity of mind as well as moving away from who looks to be the best candidate versus who actually is the best candidate is a core focus in minority-owned firms also. According to **Jennifer McGuinness**, Co-Founder and Managing Partner at Strategic Venture Partners, a woman-owned, minority-owned, and veteran-owned strategy firm, it helps to answer questions like who is the most qualified? Who brings the best skills? Who will lead the best team? Who believes in the brand? "When you can answer these questions, this is who you hire, no matter where they went to college, their nationality, race, sexual orientation, or gender," she said.

The Business Case for Inclusion

In the context of the workplace, diversity equals representation. "Without inclusion, however, the crucial connections that attract diverse talent, encourage their participation, foster innovation, and lead to business growth won't happen," wrote Laura Sherbin and Ripa Rashid in "Without Inclusion Diversity won't Stick" which appeared in the *Harvard Business Review*. Therefore, it's important to understand how diverse perspectives can strengthen customer and employee base.

Explaining the importance to connect diversity with inclusion for business, Raimundi said that while diversity was about embracing differences of all types, inclusion was about making the conscious (or unconscious) decision not to shut out or exclude individuals based

on those differences. "Inclusion not only expands our horizons but gives us a competitive edge in our marketplace as well," she said.

Thus, to truly allow the business potential of a diverse workforce it is important to ensure that employees remain engaged at various levels after being recruited. According to a research by Harvard University, employees with inclusive managers were 1.3 times more likely to feel that their innovative potential was unlocked. And that's what Flagstar Bank aims to do through its Employee Resource Groups (ERGs).

Flagstar has seven different ERGs that include African-Americans, women, LGBTQ, Asian-Indians, millennials, veterans, and a group that focuses on disabilities. The bank is planning to start a similar group for Hispanic-Latinos.

The business benefits of these groups are already apparent, according to Mbiya. "We participated in 'The Ultimate LGBT Wedding and Anniversary Expo' in Detroit in March, where members from our LGBTQ Employee Resource Group interacted with attendees," she said. "Besides being an opportunity for networking, the event also led to business opportunities. There were 600 people at the expo and through this event, our group got 75 leads."

According to Bechtel, TD Bank's Diversity Leadership team focuses on five areas, with a subcommittee to support each area. These subcommittees provide opportunities for awareness, learning, and personal development throughout the year. "The events include, expanding opportunities for women in leadership; expanding leadership opportunities for members of minority groups, people with diverse abilities, LGBTQ, and serving diverse communities," he shared.

Employee groups have been driving business at Wells Fargo since 2004, with more than 63,000 team members participating in one of the 10 Team Member Networks. "Through our Diverse Leaders Program, team member participants experience a unique

opportunity to focus on leadership and professional development from a culturally relevant, sensitive, and segment-specific perspective," said Blackwell.

The three-day program enables team members to expand their internal networks and build cross-organizational relationships. It was expanded in 2017 to include Veterans and People with Diverse Abilities in addition to Asian and Pacific Islander, Black/African American, Latino, and Lesbian/Gay/Bisexual/Transgender (LGBTQ) leaders.

At Texas Capital Bank, the D&I team introduced a new program called "Better Together" in July 2017 that recognizes positive behaviors related to D&I. The program aims to heighten awareness and collaboration between employees, which in the bargain, according to Arnold, creates a more unified workforce and increased efficiencies. So far 200 employees have completed this program. "Better Together" challenges our employees to deepen their understanding and appreciation for colleagues who approach their work and decision making differently based on various personality traits or styles," shared Arnold.

BankUnited's training programs also include improving the D&I quotient for managers, who are often at the front lines of ensuring an inclusive environment. "Every manager completes a course that discusses interviewing practices that support diversity," said Ray Barbone EVP, Mortgage Services, BankUnited.

D&I Beyond Employees

Is it enough to have a robust internal D&I framework for employees alone? As they look at new ways of reaching out to an expanded demographic of homebuyers, lenders are also looking at supplier initiatives that holistically combine D&I with business strategy.

For example, Wells Fargo has added \$300 million incremental diverse supply spend over the past three years and is investing over

\$1 million annually in programs designed to help diverse business grow and scale. By 2020, the bank plans to spend 15 percent of its procurement dollars with diverse suppliers and has established aggressive spending goals with diverse suppliers. "Each one of the CEO's direct reports is accountable for delivering on the supplier diversity goals," said Blackwell.

Flagstar Bank is also taking steps to encourage supplier diversity. The bank is a member of the Michigan Minority Supplier Diversity Council and participates in conferences that have a diverse set of vendors. "The D&I team also tracks and reviews the bank's progress in achieving supplier diversity," said Mbiya.

At the end of the day though, D&I must make business sense for lenders to reach out to the new homebuyer profile—the minorities, women, millennials, LGBT and more. And all programs, whether recruiting a diverse workforce, training the existing workforce, or ensuring diversity among vendors are geared towards achieving the ultimate aim of doing business with a changing homebuyer or owner profile.

A New Demographic

Greater diversity within the housing industry doesn't make cultural sense, it makes business sense as well," said Kirk Willison, SVP, Government, and Industry Relations at Altisource. "Buying a home is usually the most expensive purchase an individual or family makes. Having a workforce that speaks the buyer's language or shares their life experiences can help build trust and confidence in borrowers, increasing the opportunities for homeownership."

Barbone agreed: "It is imperative that those who work in the mortgage industry reflect the communities we serve to be more sensitive to the needs of those in the community. That sensitivity will, in return, breed more trust in the housing and mortgage markets."

Recognizing the need for trust,

and also to get an edge in its lending operations, Wells Fargo, in 2017 committed to lend \$60 billion for African-American home purchases over 10 years while increasing the diversity of its sales team, "especially African-American home mortgage consultants," said Blackwell. The bank also dedicated \$15 million for initiatives focused on homebuyer education and counseling.

TD Bank is also launching a strategic initiative to grow its Community Mortgage Loan Officer team to serve the fast-growing population of aspiring homeowners better. According to Bechtel, the bank plans to add new products, programs, and support that is customized for the new homebuyer demographic.

Looking at the future, Thomas believes that firms that are in the homeownership business—be it real estate agents, lenders, servicers, GSEs, or investors—will be impacted by diversity. "We are preparing for that future now, in a proactive way. We are also partnering with organizations such as the AMDC and the Federal Reserve Bank of Chicago's Financial Services Pipeline Initiative, to explore and implement best practices in D&I, especially in the financial services and mortgage industries," he said. **M**



RADHIKA OJHA, Online Editor at the Five Star Institute, is a graduate of the University of Pune, India, where she received her B.A. in Commerce with a concentration in Accounting and Marketing and an M.A. in Mass Communication. Upon completion of her master's degree, Ojha worked at a national English daily publication in India (The Indian Express) where she was a staff writer in the cultural and arts features section. Ojha also worked as Principal Correspondent at HT Media Ltd and at Honeywell as an executive in corporate communications. She and her husband currently reside in Dallas, Texas. You can contact her at Radhika.Ojha@theMReport.com.