



FEDERAL RESERVE BANK *of* ST. LOUIS
CENTRAL TO AMERICA'S ECONOMY®

Welcoming Remarks¹

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Banking and the Economy: A Forum for Minorities in Banking
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Good morning, and welcome to the Federal Reserve Bank of St. Louis. I am pleased you have joined us for “Banking and the Economy: A Forum for Minorities in Banking.” This forum, now in its fourth year, is growing into what we hoped it would become—a valuable resource for minority leaders in the banking industry. Our vision is that this forum will assist minority leaders in the banking industry in enhancing their industry knowledge, connecting with other professionals in the industry and at the Federal Reserve, and preparing to better serve the future financial needs of our communities.

Diversity and inclusion are top priorities across the Federal Reserve System. In many ways, the need to recognize and embrace a variety of viewpoints and experiences is central to the Federal Reserve’s unique structure as a decentralized institution. The 12 Federal Reserve banks serve districts that differ in geography, demographics and economics. The needs of communities here in the St. Louis Fed’s District, while similar in many respects to communities in other Fed districts, are also distinct.

This regionalized structure enables the Federal Reserve to gather data and other information about the economy, as well as the needs of local communities throughout the nation. Inputs

¹ Any opinions expressed here are my own and do not necessarily reflect those of the Federal Open Market Committee.

from various sources are necessary to inform a national monetary policy aimed at maintaining the health of the economy and the stability of the nation's financial system for everyone.

As neighborhoods and communities across the country become more diverse, it is important for policymakers and regulators to hear different viewpoints and perspectives. But recognizing a multiplicity of views throughout the different districts is just one way diversity is embraced at the Fed.

The Federal Reserve is also committed to a diverse and inclusive workforce. We believe that the best ideas, decision-making and service to the public are borne from diverse perspectives. Diversity and inclusion aren't just good for morale; they're a good business strategy. We can attract and recruit the best possible talent by casting a wide net and expanding recruiting efforts. A diverse workforce enhances our ability to be innovative and better serve the communities in which we operate.

At the Federal Reserve Bank of St. Louis, we are committed to building a workplace where differences provide a foundation for better decisions and services. We have various initiatives here at the St. Louis Fed to ensure that the decisions and recommendations we produce reflect a variety of perspectives.

In 2018, the St. Louis Fed's staff reflected a diverse employee population when compared with relevant job groups in the St. Louis MSA.² Broadly speaking, the St. Louis Fed workforce is more than a quarter (26%) minority. Of the new hires by the St. Louis Fed last year, 35% were minorities.

Diversity among our employees allows for unique perspectives when generating ideas and solving problems. We encourage an environment where innovation and excellence thrive. For

² Federal Reserve Bank of St. Louis Office of Minority and Women Inclusion 2018 Annual Report to Congress, https://www.stlouisfed.org/~media/files/pdfs/about-us/omwi/omwi_report_2018_final.pdf?la=en.

a public-serving institution, having diverse leaders and employees is critical to earning and keeping the public's trust.

Similarly, workforce diversity is also incredibly important throughout the financial industry. It is essential to ensuring a safe, sound and accessible banking system that protects consumers and promotes competition.

Overall, representation of minorities throughout all levels of management positions in the financial services industry has increased since 2007, from about 17% to 21% in 2015, according to a 2017 report by the Government Accountability Office.³ However, the level of representation by minorities varied by race and ethnicity group, as well as by seniority. Specifically, representation of African Americans at various management levels decreased slightly during this period, while representation of other minorities increased, as noted in the report.

Prospects for minorities are favorable. The management pipeline at financial industry organizations—through which diverse candidates can move into senior-level management positions—has grown. Representation of minorities in first- and mid-level management positions was 22.4% in 2015, up from 18.7% in 2007. This compares to the 12.3% representation of minorities in senior-level management positions in 2015, according to the GAO.

Events like this forum contribute to a robust pipeline of new banking leaders who are informed, engaged and ready to serve their communities. Helping minority leaders develop the skills and connections to advance in the financial services industry is important to individual advancement, but also for increasing representation of minorities at all levels of an organization. Visibility, networking and information are vital for professional development, and

³ [Financial Services Industry: Trends in Management Representation of Minorities and Women and Diversity Practices, 2007–2015](#) (PDF), U.S. Government Accountability Office report, November 2017.

there are many examples of information sharing, engagement and networking continuing long after the forum concludes.

Minority ownership in the financial services industry is also crucial to the promise of delivering broad-based economic gains and financial solutions.

As the minority representation in the financial services industry ticks up, the number of Minority Depository Institutions (MDIs) has declined since the financial crisis, which is consistent with industry trends. From 2008 to 2018, the number of MDIs declined 31%, a significant decline but a more gradual decline than community banks as a whole, which declined by 33% over the same period, the FDIC reported.⁴

Again, there are racial and ethnic disparities, as noted in the FDIC report. From 2001 to 2018, the number of depository institutions owned by Asian Americans, Hispanics and Native Americans increased, while the number of MDIs owned by African Americans declined by more than half. African American MDIs represented just 15% of all MDIs at the end of last year.

And compared with the more than 5,400 insured financial institutions, the number of MDIs is still small, the FDIC noted. There were only 149 MDIs in the U.S. last year, down from 215 before the financial crisis.

On the plus side, financial performance at MDIs has improved significantly over the past five years in terms of revenue generation and loan performance, according to the FDIC. These institutions make a greater share of mortgage originations—as well as small business loans—to borrowers in low- and moderate-income census tracts.

They are more likely to have branches in minority neighborhoods and are more likely than non-MDIs to focus on lending within communities of diverse ethnic backgrounds. This puts minority

⁴ [Minority Depository Institutions: Structure, Performance, and Social Impact](#), Federal Deposit Insurance Corp., May 2019.

depository institutions in place to be valuable partners and to create an economic multiplier effect for communities of color.

One way the Federal Reserve is working to assist these banks is through Partnership for Progress,⁵ a program launched in 2008 to help preserve and promote minority-owned institutions and enhance their ability to thrive in a competitive banking environment.

The program seeks to help minority institutions confront the unique challenges of their communities and cultivate safe and sound practices throughout their life cycle. Through programming that includes one-on-one guidance and workshops, as well as an online resource and information center, Partnership for Progress helps minority-owned and de novo banks grow to a size that allows them to continue providing capital and financial services to a growing population. This adds strength and vitality to the local communities they serve and helps provide stability to the U.S. economy.

The program also helps the Fed better understand the challenges these institutions face in raising capital, growing their institutions and attracting as well as retaining talent. Key concepts from the program were incorporated into the Federal Reserve System's examiner training to provide a deeper understanding of the issues unique to minority-owned institutions.

Whether you are a shareholder, director, officer or staff, we can all agree on the importance of minority leadership throughout the financial system. The Federal Reserve convenes conferences like this to facilitate a conversation about the needs of the communities we serve and also to help us better understand the communities we serve.

I hope you will take away from this forum a deeper understanding of the financial industry, the role of the Fed and the needs of the communities you work in. I thank you all for your participation in the upcoming sessions and look forward to a successful conference.

⁵ Partnership for Progress, <https://fedpartnership.gov/>.