

Testimony of
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Before
Subcommittee on Housing and Community Opportunity
and
Subcommittee on Oversight and Investigations

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“Minorities and Women in Financial Regulatory Reform: the Need for Increasing Participation and Opportunities for Qualified Persons and Businesses”.

U.S. Committee on Financial Services Chairman Barney Frank, Ranking Minority Member Spencer Bachus; Subcommittee on Housing and Community Opportunity Chair Maxine Waters, Ranking Minority Member Shelley Moore Capito; Subcommittee on Oversight and Investigations Chair Dennis Moore, Ranking Minority Member Judy Biggert; Honorable Members of the Committee and the Subcommittees:

It is my great honor to appear before you today to provide testimony on the issue of minorities and women in financial reform. I appear both as Chair of the New America Alliance (NAA), a national organization of Latino business leaders focused on the advancement of the American Latino community for the benefit of the United States as a whole; and as representative of our distinguished sister organization, the United States Hispanic Chamber of Commerce (USHCC), which for years has ably represented millions of Latino businessmen and businesswomen from across the nation. On behalf of both organizations and myself, thank you for this opportunity.

I had the privilege of appearing before the Subcommittee on Oversight and Investigations just four years ago, to comment on a General Accountability Office (GAO) report that had just then been published entitled, “Financial Services Industry: Overall Trends in Management-Level

Diversity and Diversity Initiatives, 1993-2004". To summarize, that report depressingly concluded that "[b]etween 1992 through 2004, overall diversity at the management level of the financial services industry did not change substantially . . ."

I now appear before you four years later, and I wish I could tell you that great advances have been made in these last four years in terms of the role of women and minorities in our nation's financial services industry. I cannot.

I also wish I could tell you that these past four years have witnessed great strides in the manner in which the Treasury, federal banking agencies and the GSEs interact with women and minorities, and the importance they attach to bringing about an industry that even remotely represents the population of our great country. Unfortunately, with some exceptions, again I cannot.

The Census Bureau is hard at work as we testify here today gathering information on the demographic make-up of Americans in 2010. Let me anticipate the results in one regard - some two-thirds of our nation's population will be found to consist of women and minorities. However, anyone who believes that these numbers are even remotely reflected at the management and senior levels of our country's financial services industry, is very mistaken.

Let us take the banking industry as an example. That I know of, right now two of the 25 largest banks in this country are headed by minority individuals, neither of them a Latino, and that I know of, none by a woman. A friend and fellow NAA member serves on his very distinguished financial firm's 80-person management committee. He is the only minority to do so. The Office of the Comptroller of the Currency's website indicates that as of December 31, 2009, there were seven Latino-owned national banks in this country, out of 1800 or so national banks altogether -

about one-half of one percent. Over-all, our banking system does somewhat better - slightly over 200 of the nation's 8000 or so FDIC insured banks - or somewhere between four and five percent - are controlled by women and minorities. Of course, measured in terms of deposits or assets, these small percentages are even much more tiny.

In terms of asset management, in accordance with data carefully assembled by NAA member Altura Capital, in 2009, in the U.S. \$12.5 trillion tax- exempt market, firms owned by women or minorities managed about U.S. \$90 billion, or less than one percent, and Latino-owned firms, U.S. \$21 billion, or less than one-quarter of one percent.

Federal pension funds have approximately US \$ 268 billion in assets. That we at the NAA know of, none of the 60 or so Latino-owned asset managers or brokers in our country is involved.

And so on and so on. To anyone who believes that women and minorities are for some reason less capable of success in the financial services industry, these numbers may not be disturbing. To everyone else, these numbers at least must be embarrassing, if not troubling. Frankly, I have trouble thinking of many other industries where the numbers are as bad.

Let me make it clear that I am not suggesting that these numbers reflect current intentional discrimination against women and minorities in this industry. Rather, I believe that the industry historically evolved at a time when neither women nor minorities were viewed or treated as equals, so that built into this industry are structural elements that often make it particularly difficult for women and minorities to advance, even now. Within any sizable company, it is often difficult for those elements to be overcome absent the dedicated, conscious effort of very senior decision makers. However, that effort all-too-often is not there, in part because under the

pressure of other weighty considerations, it is easier to delegate these concerns to a company's Human Resources and Legal Departments.

I would also note that: I am not discussing "quotas" of any type. However, "quotas" aside, the disparity between the representation of women and minorities in our general population, and in senior and management positions in our financial services industry, is so glaring that it can only be missed by those who choose not to see.

So what can the U.S. Government do? One would naturally think that the federal Government itself would be particularly mindful of including qualified persons from all backgrounds when contracting with the private sector.. And I believe that in the last two years or so Congress, with Section 107 of the Emergency Economic Stabilization Act of 2008, with Section 1801 of H.R. 4173, and through the personal efforts of Members of Congress like Congressman Frank, Congresswoman Waters, Congressman Xavier Becerra and Senator Bob Menendez, has made legislative and other significant efforts to prod the Executive Branch to focus on doing so.. Sadly, those efforts in many situations appear to have fallen on deaf ears, although there have been exceptions, such as the SEC's recent proxy disclosure rules on Board diversity, and Treasury's initial steps last Spring in connection with its Public-Private Investment Program. However, particularly in matters involving financial services and capital markets, federal Government agencies continue to have a very poor track record in seeking to work with Latino-owned, qualified firms.

As to the relative importance federal regulators have attached to this issue of diversity in the private-sector financial services entities they supervise, let me cite a simple example: I have practiced law related to the financial services industry for over 30 years. In all of that time, I

cannot recall ever hearing of a bank being challenged hard by federal bank examiners on the issue whether its employment practices (as opposed to its lending and consumer practices) comply with applicable federal equal opportunity laws, some of which have existed since 1866. Just how important can this issue of fairness and equality in employment be - or be perceived by the financial services industry to be - to the federal Government, when its examiners routinely and carefully inquire about compliance by financial institutions with other types of laws, but not these?

We would also respectfully suggest that any Member of Congress who really cares about these issues can help the situation simply by making it clear to financial services industry constituents seeking an audience to discuss something that is important to those constituents, that this issue of diversity is, in turn, something the Member believes is very important. If done by enough Members of Congress, the point might be made that the people of this country, whose money the industry holds and manages, and their representatives in Congress, do not understand why women and minorities appear to have such difficulty succeeding in this industry.

Thank you very much.