2022 FINAL REPORT

On Advancing Equity in Banking Commission

Est. 2020

AEBC

Advancing Equity in Banking Commission

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As the state's Chief Investment and Chief Banking Officer, my office is dedicated to prudently investing money on behalf of the State, units of government, and college savers, expertly managing the State's multiple banking functions, and providing exceptional financial services to individuals and government bodies in Illinois. My office is committed to fulfilling this mission in a highly professional and ethical manner, while striving for transparency, efficiency, equity, diversity and inclusion, sustainability, and preservation of public trust.

Therefore, City Treasurer Melissa Conyears-Ervin and I partnered on Juneteenth of 2020 to launch the Advancing Equity in Banking Commission after the release of the WBEZ story called, "Where banks don't lend." This story highlighted the ongoing lending disparity within Black and Brown neighborhoods throughout Chicago; and we were simultaneously aware that Chicago was just a microcosmic view of what may be found in other regions throughout the state of Illinois. Together, we leveraged the combined strength of our offices and our relationships within the banking community, to convene bank leaders to discuss racial disparities in lending, hiring, and community investment. Research has shown that when diversification and equity are centered in business models, it can be used as a vehicle that allows our office to maximize financial returns on behalf of the people of Illinois. I know how this shift begins with me, as I have established a similar culture in my office. Many of the local bank leaders also know their influence and were willing to participate in a series of conversations on racial equity, what it means to address systemic racism, and to identify the best strategies to change how business has been done in the past towards strategies that are more equitable for the present and future.

In our first public convening, the leaders willingly shared the great work they have done, while recognizing that there was so much more work to do to improve how they work in, work with and show up in marginalized communities throughout the state. They were committed to stay at the AEBC table as partners and I commend them for the work they have done, and I anticipate the work they are currently doing to repair harm that the banking industry has done in the past. Through their bold steps, our hope is that we will finally begin to see the wealth gap shrink and see the emergence of a true racial equity framework that permeates how banking emerges and exists in the 21st century.

I am honored to do this work alongside the City Treasurer and the banking leaders along with their senior staff, who were engaged in conversations with us for the last two years to identify strategies to address systemic racism in the banking industry. Hopefully these strategies and recommendations that will come from this report titled "Banking on Equity" will lead us all towards a path of true racial equity in how banks lend in the future, how they identify, retain and promote talent and how they partner with communities to assure that community investments are more positively impactful for the people who live, work, worship and engage in local economies within the state and local neighborhoods that we represent.

Best regards,

Michael Frerichs

Illinois Treasurer

CTO
Chicago Treasurer's Office
Melissa Conveárs-Ervin, Treasurer

The last two years have been some of the most challenging in the history of our country. So much has changed in such a short time. Since ringing in the New Year of 2020—a time of hope and optimism as we entered a new decade—America has journeyed through an awakening to the injustices of racism that persist in a country scarred by slavery, then experienced a backlash that now sees state legislatures and school boards across the country pushing to deny that racism exists and suppressing the teaching of our country's history. In that same time period, nearly 1,000,000 Americans have died of COVID in the worst pandemic the world has seen in more than a century. Everything is different.

But in May 2020, with the killing of George Floyd by Minneapolis police, many Americans awakened to the idea that one thing had not changed: Our country has not healed from the wounds of slavery. Millions arrived at a deeper understanding that the remnants of slavery are, in fact, woven into the foundation of our systems—social, political, legal and financial—and create a self-sustaining cycle of poverty, violence, underrepresentation and discrimination for Black Americans.

It is the financial aspect of this systemic racism that interests me most. As Treasurer of the third largest city in America, I see every day the legacy of the racist policies that may be outlawed in code but continue in practice. I see the segregation that persists in our communities after generations of disinvestment. I see families struggle to build generational wealth to pass on to their children at the end of their lives when there isn't anything left at the end of the month. I saw my own hard-working single mother succeed in her dream of owning a home, knowing all the while how rare this achievement was. For me, this issue is not academic.

Dr. Martin Luther King Jr. understood that racism was an evil that lives in the hearts of mankind. He might have preached love as the cure, but he also taught that economic power goes a long way toward creating change. Yet 60 years later, while the economic power of Black Americans has grown, it is still stunted by discriminatory financial practices that too few institutions or political leaders have been willing to take on.

That is why I and Illinois State Treasurer Michael Frerichs came together to issue a call to action on Juneteenth of 2020. We asked the leaders of major banks in Illinois to join us in committing to examining their policies and practices in four key areas—mortgage lending; small business lending; talent acquisition, retention and development; and community investment—and working toward changes that will lead to greater equity. Eight banks answered that call, and the Advancing Equity in Banking Commission was born.

Over the following two years, the Commission engaged in the serious and frequently challenging work of assessment, evaluation, introspection and actual change. In this report, you will read the outcomes of the Commission's work. You will read about the events that led us to that moment. You will read about the banks' progress and the reality that although there is much work to be done, they have committed to it for the long term. And we will continue to hold them accountable, as I hope you will, too.

City Treasurer of Chicago

ILLINOIS BANKERS®

On behalf of banks across the state, the Illinois Bankers Association (IBA) extends its deepest appreciation to Chicago City Treasurer Melissa Conyears-Ervin and Illinois State Treasurer Michael Frerichs for convening the Advancing Equity in Banking Commission (AEBC) to facilitate important conversations about expanding equitable banking access in Chicago, particularly in Black and Latinx communities.

Our industry is committed to meaningful change and continues to step up with Chicago-based investments and resources to aid in this effort, including in-house diversity programs, homeownership assistance programs and career-building opportunities that focus on underserved communities. At the state level, we are working with legislators to bring about further change, including assisting in passage of legislation to study and reform the home appraisal process to address inequalities in home ownership. We are proud of our work with city and state officials to make impactful, direct investments in minority neighborhoods.

While more must be done, particularly at the federal level where national banking regulations prevent more widespread changes in lending and credit practices, we are encouraged by the partnerships and cooperation this Commission has established. We remain committed to collaborating with city and state officials on further regulatory reforms and investments to address the systemic inequities that have plagued our society for too long.

The AEBC's findings demonstrate the value of constructive collaboration between government and industry. Since the AEBC's inception, our discussions have covered critical equity issues ranging from community lending to diversity and inclusion programs. The ongoing work of the AEBC will help create new financial empowerment opportunities for communities throughout Chicago and Illinois.

Sincerely,

President & CEO

A Reckoning Arrives

On February 20, 2020, a group including Chicago City Treasurer Melissa Conyears-Ervin, Illinois State Treasurer Michael Frerichs, Operation HOPE CEO John Hope Bryant, as well as other Financial Services or Banking executives and elected officials convened for an event called “The Future of Inclusive Banking.” The goal of the event was to have an honest conversation about what inclusive banking could look like in Illinois and why inclusivity in banking is both an ethical approach and a smart business decision. The aim of the event was to provoke thoughtful conversation around inclusion and leave bank and government participants with a clearer understanding of how to realize the vision of an inclusive system.

On February 23, 2020, Ahmaud Arbery, a 25-year-old Black man, went for a jog in Brunswick, Georgia, on a warm, clear day. The former high school football star frequently went for runs in the area around his home. But on this day not long into his outing, he was chased down and killed by three White men, one of whom later said it wouldn’t have happened if Arbery had followed his commands to stop. Three weeks later, on March 13, 26-year-old Breonna Taylor would be sleeping in her bed in her Louisville, Kentucky, apartment after working a shift as an EMT when police would enter on a no-knock warrant and shoot her eight times. They had been looking for someone who did not live at her address.

Two days later, states began to close schools, restaurants and bars in an attempt to stop the spread of a novel coronavirus in the beginning of the worst pandemic the world has seen since 1918.

Then, on May 25, 2020, shortly after 8 p.m., police in Minneapolis responded to a 9-1-1 call from a convenience store alleging a forgery. Seventeen minutes after they arrived and ordered 46-year-old George Floyd to step out of his car, he would be lying on the ground, pinned by three officers, and showing no signs of life.

Floyd’s murder, in horrific ways, was not unique. An investigation by National Public Radio (NPR) affiliate WBEZ Chicago has since found that between 2015 and 2020, police officers fatally shot at least 135 unarmed Black men and women nationwide. But Floyd’s death was recorded in agonizing detail. Bystanders had filmed it, capturing not only Floyd’s cries for help but also their own pleas that officers stop kneeling on Floyd’s neck and allow him to breathe.

Also at that moment, Black Americans were suffering disproportionately high rates of infection, hospitalization and death from the coronavirus, due in large part to a tangled web of inequities—from food deserts to well-earned distrust of the medical system to unequal healthcare access and higher levels of comorbidities and preventable disease. All Americans were nearly three months into a terrifying pandemic that was already killing tens of thousands of people, had caused millions to lose their jobs and had shut people into their homes and isolated them from their communities and family members. The murder of George Floyd—a man with hopes and plans, a brother and son, a father to a young daughter—became an emblem of inescapable injustice.

By the next afternoon, thousands were protesting in Minneapolis and within days, protests had spread across the nation. As many as 26 million people are reported to have participated in protests during this time, making them the largest protests in American history. The murders of Ahmaud Arbery and Breonna Taylor were once again elevated to front-page news.

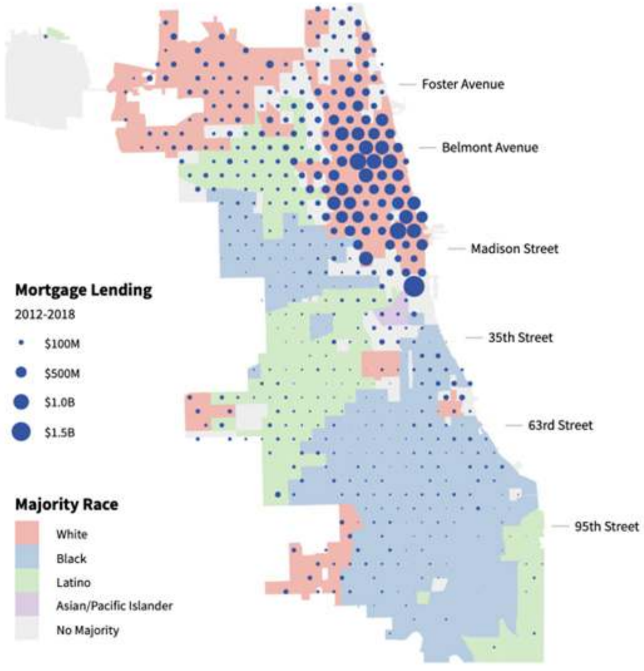
Conversations of systemic racism took hold in homes, businesses and newsrooms as more Americans came to understand the pervasiveness of racism and its roots deeply embedded in the structures and policies that undergird social, legal, political and financial systems. Even Merriam-Webster, the dictionary publisher, announced in June 2020 that it would amend its definition of racism to include systemic oppression as well as political or social systems founded on racist principles. Confederate monuments came down. Public support for the Black Lives Matter movement skyrocketed. In June, Google reported that searches for “Black owned businesses near me” reached an all-time high in the U.S. The New York Times noted that none of the books on the June 7 New York Times Best Sellers list, based on sales from the week of Floyd’s death, were about race; two weeks later, two-thirds of the titles were about race and anti-racism.

A racial reckoning had arrived.

MORTGAGE LENDING:

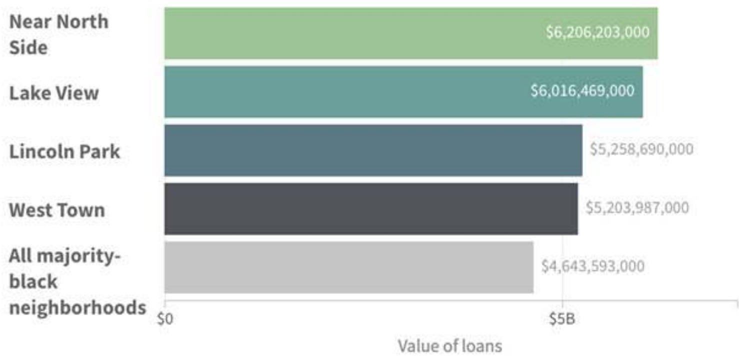
The Roots of Community Disinvestment

On June 3, 2020, WBEZ News in Chicago released an investigative piece that displayed the systemic racism of the financial system in stunning detail. While the report was full of damning data, its headline focused on one specific point: Between 2012 and 2018, mortgage lenders had invested more in a single White Chicago neighborhood than all of Chicago's Black neighborhoods combined. For every $1 that banks loaned in Chicago's majority-White neighborhoods, they invested just 12 cents in Black neighborhoods and 13 cents in Latino neighborhoods. One major bank loaned just 2.4 cents in Black neighborhoods for every $1 loaned in White neighborhoods.

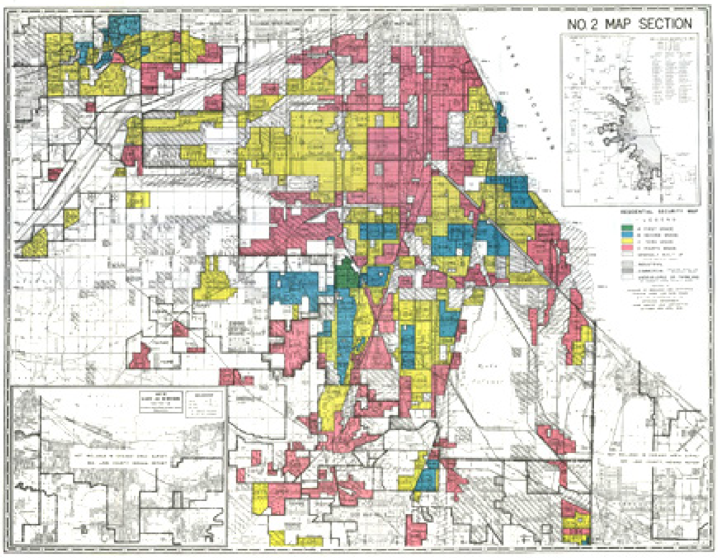


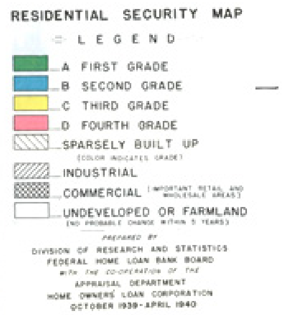
Source: WBEZ/City Bureau analysis of Home Mortgage Disclosure Act Data and United States Census Bureau data
Credit: Patrick Sier/City Bureau

The WBEZ investigation did not hesitate to call the practice "modern-day redlining," referring to a racially discriminatory lending practice that began in the 1930s when a group called the Home Owners' Loan Corporation created color-coded maps classifying neighborhoods in major U.S. cities into categories as "best," "desirable," "declining," and "hazardous." The stated intent was to give banks guidance on where they could get a sound return on their investment in home loans and what areas they should avoid. The reality, though, was that the key deciding factor for how to classify a neighborhood was its racial makeup. Black neighborhoods were deemed hazardous and unfit for investment, although many of the Black residents of these neighborhoods had the means to become homeowners. They were, nonetheless, denied.



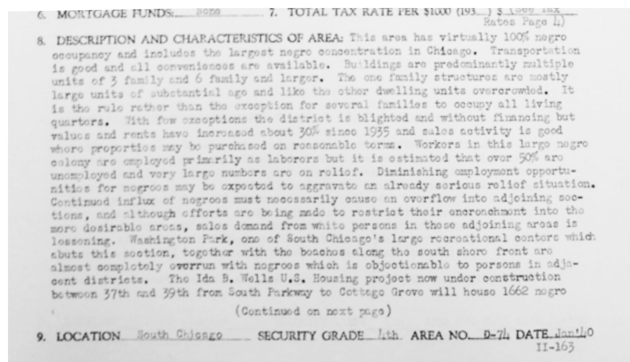
Source: WBEZ/City Bureau analysis of Home Mortgage Disclosure Act Data and United States Census Bureau data





Maps created by the federal government from 1935 to 1940 graded areas by their "mortgage security." (Mapping Inequality)

By denying loans in Black communities, lenders created a self-fulfilling prophecy that would lock these communities into decades of deepening disinvestment leading to poverty, crime and joblessness. Locked out of homeownership, Black families were effectively locked out of building the generational wealth that is common among many White families. Redlining is without doubt a cause of the persistent homeownership gap and dramatic wealth gap that exists between Black and White families today, with White families holding an average net worth of more than 10 times that of Black families.



6. MORTGAGE FUNDS: None 7. TOTAL TAX RATE PER $1000 (193__) $ (See Tax Rates Page 4)

8. DESCRIPTION AND CHARACTERISTICS OF AREA: This area has virtually 100% negro occupancy and includes the largest negro concentration in Chicago. Transportation is good and all conveniences are available. Buildings are predominantly multiple units of 3 family and 6 family and larger. The one family structures are mostly large units of substantial age and like the other dwelling units overcrowded. It is the rule rather than the exception for several families to occupy all living quarters. With few exceptions the district is blighted and without financing but values and rents have increased about 30% since 1935 and sales activity is good where properties may be purchased on reasonable terms. Workers in this large negro colony are employed primarily as laborers but it is estimated that over 50% are unemployed and very large numbers are on relief. Diminishing employment opportunities for negroes may be expected to aggravate an already serious relief situation. Continued influx of negroes must necessarily cause an overflow into adjoining sections, and although efforts are being made to restrict their encroachment into the more desirable areas, sales demand from white persons in those adjoining areas is lessening. Washington Park, one of South Chicago's large recreational centers which abuts this section, together with the beaches along the south shore front are almost completely overrun with negroes which is objectionable to persons in adjacent districts. The Ida B. Wells U.S. Housing project now under construction between 37th and 39th from South Parkway to Cottage Grove will house 1662 negro

(Continued on next page)

9. LOCATION South Chicago SECURITY GRADE 4th AREA NO. D-74 DATE Jan'40
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Today, although redlining is technically outlawed, the WBEZ report exposed that it continues in practice—and in outcome—and the effects of the legal redlining of the 20th Century are devastating enough to hold communities even now in a cycle of disinvestment. Today, Chicago's formerly redlined neighborhoods are some of the most segregated in the country, with 90 percent more Black Chicagoans in these communities than in other areas.

What's more, the people who live in those communities—in Chicago and nationally—are still more likely to be denied mortgages. An investigation by data-driven nonprofit The Markup found that lenders in 2019 were more likely to deny home loans to people of color than to White people whose financial situations were the same—"even controlling for newly available financial factors that the mortgage industry for years has said would explain racial disparities in lending," the August 2021 report said:

> *"Holding 17 different factors steady in a complex statistical analysis of more than 2 million conventional mortgage applications for home purchases, we found that lenders were 40 percent more likely to turn down Latino applicants for loans, 50 percent more likely to deny Asian/Pacific Islander applicants, and 70 percent more likely to deny Native American applicants than similar White applicants. Lenders were 80 percent more likely to reject Black applicants than similar White applicants. These are national rates. In every case, the prospective borrowers of color looked almost exactly the same on paper as the White applicants, except for their race."*

While the federal government has outlawed redlining, the data show that financial institutions continue to practice it in ways outside the narrow definition prohibited by law. In the absence of tighter government oversight, banks have failed to self-regulate. As a result, our country has largely failed to make progress since the Fair Housing Act of 1968. According to the Urban Institute, the gap between White and Black homeownership—72 percent vs 42 percenet respectively—is larger now than it was in the 1960s, when housing discrimination was legal in the U.S.

SMALL BUSINESS LENDING:

A Failure to Fund

The problem of discrimination in the financial services industry, not surprisingly, goes beyond mortgage lending. Small businesses, and especially those owned by entrepreneurs of color, face substantial challenges and barriers in obtaining affordable capital due to years of disenfranchisement, bias and lack of access to networks.

Launching and growing a small business is challenging for most people. But the data bears out the additional challenges of starting a business as an entrepreneur of color. While 20 percent of small businesses fail within the first year and 30 percent fail by the second, 80 percent of Black-owned businesses fail within the first 18 months. These failures represent the missed opportunity to pump billions of dollars into the economy annually, grow the tax rolls and provide jobs.

Many of these failures can be attributed to poor access to affordable capital and resources, not talent. When the pandemic struck, the federal Paycheck Protection Program (PPP) was hailed as a way to help small businesses stay afloat during a time when millions had to close their doors for an indefinite amount of time. But according to a coalition of Federal Reserve Banks, 79 percent of White-owned firms received all of the PPP funding they sought, while just 43 percent of Black-owned firms did. Black small business owners were also more likely than any other group to report needing to dip into personal funds to keep their businesses afloat.

The reason for this is clear when one considers the design of the PPP. To qualify for and obtain a loan, applicants had to work through a private sector bank. Yet many small business owners of color lack a steady relationship with a bank, leaving them at a disadvantage. Part of the reason for this problem is that many major banks lack a community presence that would enable them to build relationships with local customers. A 2019 report by S&P Global Market Intelligence found that majority-Black neighborhoods have lost more bank branches than non-majority-Black neighborhoods. For example, from 2010 to 2018, JPMorgan opened almost as many branches as it closed overall, but the company cut its branch footprint in majority-black areas by 22.8 percent compared to a net decline of 0.2 percent in the rest of the U.S. Income did not explain the disparity, because wealthy majority-Black neighborhoods lost more of their branches than low-income non-majority-Black communities. (Relatedly, JPMorgan announced in 2018 that it would open 400 new branches, committing 30 percent of those in LMI communities.)

This problem has continued unabated throughout the pandemic. According to a February 2022 report from the National Community Reinvestment Coalition, “since March 2020, banks have closed more than 4,000 branches across the country. At 201 closures per month, they doubled their closure rate, which—for the past 10 years—averaged around 99 per month. The NCRC also says that over the past five years, one-third of these closures were concentrated in low- to middle-income and minority neighborhoods.”

In addition, 96 percent of Black-owned businesses are sole proprietorships, according to the Brookings Institution, as compared to 80 percent of non-Black owned small businesses—meaning that Black small business owners lack the staff, such as bookkeepers, to help with the complex and paperwork-intensive process of applying for loans. The lack of a relationship with a bank, mentor or other financial advisor can also leave Black small business owners vulnerable to predatory lending schemes from unregulated lenders that may charge borrowers an annual percentage rate of up to 400 percent. According to a representative of one local organization located in Chicago's Greater Englewood neighborhood, "Even if the Black small business owner was interested in applying for the PPP, they lacked two things: the knowledge to access the proper documentation to apply, and the technical equipment like a computer and printer to download, upload and understand the banking statement."

The outcomes of PPP lending also highlight a simple reality: racism is at play in human interactions. Researchers at New York University found that Black-owned small businesses were 70 percent more likely to receive PPP loans from online fintech companies, an outcome they attribute to the fact that those lenders use automated systems that don't have the racial biases that small bankers may harbor when considering borrowers' loans applications.

These realities hit the Black small business community hard. According to early pandemic research from the Federal Reserve Bank of New York, there was a 41 percent drop in the number of active Black business owners from February through April in 2020, versus a 22 percent drop in the number of business owners overall and a 14 percent drop in White business owners.

TALENT:

The Denial of Potential

In 2019, a report from the U.S. House Committee on Financial Services found that diversity and inclusion in the banking industry were abysmal. Boards were mostly White and male, senior leadership was mostly White and male, no chief diversity officers reported directly to the CEO, diversity metrics were not tied to compensation, and only half of the megabanks tied diversity metrics to performance.

Above all, financial services firms simply have not been bringing diverse talent in the door. In 2018, 25 percent of junior bankers graduated from just 10 schools, according to a study by job search site Wall Street Oasis. And of the top 25 feeder schools, not one was among the Historically Black Colleges and Universities (HBCUs) or Predominately Black and Brown Institutions (PBBIs). Wells Fargo CEO Charles Scharf went so far as to say, "While it might sound like an excuse, the unfortunate reality is that there is a very limited pool of black talent to recruit from," apparently without considering that he was looking in the wrong pools. Focusing on the same set of feeder schools and word-of-mouth network/referrals for recruiting leaves companies myopic and misinformed about the deep wells of talent that exist among candidates of color.

When banks do bring in diverse talent, they have historically done a poor job of developing that talent—or even putting candidates into positions where growth is possible. In 2021, a report from the Committee for Better Banks found that Black and Latino employees at 13 major U.S. banks had a less than 25 percent chance of being promoted or hired for a senior management or executive position in comparison to their White colleagues. Black and Latino employees also were more likely to be in entry-level positions with limited mobility, such as bank tellers and call center employees, whereas White colleagues were more likely to be in positions with greater upward mobility. In 2018, out of about 100,000 financial firm executives in the U.S., just 2,644 were Black, according to the U.S. Equal Employment Opportunity Commission.

In addition, banks rarely share demographic data transparently with the public, particularly around race and ethnicity, outside of that which is required by regulations or customary expectations (such as Equal Employment Opportunity reporting).

Community Investment:
An Absence of Partnership

Between 1916 and 1970, a period known as the Great Migration, 7 million Black Americans migrated from the South to the North in search of safety and economic opportunity, fleeing terroristic Jim Crow laws. About 500,000 settled in Chicago, transforming the city's culture and communities.

While many of Chicago's Black communities would thrive during this period, redlining and racial discrimination prevented Black Chicagoans from owning their own homes, obtaining small business loans or accessing capital for the needs of daily life.

In response, Black residents launched their own financial institutions. By the 1960s and '70s, at least eight Black-owned banks served Illinois's Black residents. These institutions were by nature attuned to their communities' needs. But today, there is only one Black-owned bank left in Illinois.

Black-owned institutions—as well as other community banks—struggled with the housing crisis of 2008, the ensuing recession and subsequent regulatory changes. Chicago lost financial institutions that were deeply invested—both literally and metaphorically—in the survival of their communities.

In 1977, Congress passed the Community Reinvestment Act (CRA), which was designed to ensure that banks reinvested the profits they made from communities back into those communities. The fight for the CRA was born out of the work of Chicago organizer Gayle Cincotta, and the bill's final language was authored by the Chicago-based National Training and Information Center. This legislation was a response to decades of discrimination and specifically redlining that had resulted in limited investment in majority-Black neighborhoods and prevented entire generations of Black Americans from building wealth.

In the decades since its implementation, it has become clear that the CRA has failed to address the racial disparities in mortgage lending. The enforcement of CRA lacks a mechanism to track and record performance around racial demographics, and banks do what is minimally required to achieve the rating they desire. On the whole, communities that were suffering in 1977 still suffer today. Even with any modernization of the CRA, until banks overhaul their entire approach to every aspect of their business—from operations to talent to communications and more—they will continue operating with the goal to meet a regulation, not with the goal to achieve racial equity.

It should be noted that while banks frequently invest in Black communities, their approach has often been that of "philanthropist," donating money without a strategy or consideration of the specific needs of the community. Instead, banks must act as community partners, internally establishing a commitment to diversity, equity and inclusion and then externally working with key stakeholders to allow their voices to guide banks' investment efforts.

A Call For Change

Amidst these realities—a nationwide racial reckoning, a dark history of systemic discrimination and a pandemic that was deepening racial disparities—the Chicago City Treasurer's Office and the Illinois State Treasurer's Office came together to issue a call for change.

On June 19, 2020, Chicago City Treasurer Melissa Conyears-Ervin and Illinois State Treasurer Michael Frerichs launched the Advancing Equity in Banking Commission (AEBC). The date was significant because it was Juneteenth, the date that commemorates the day in 1865 in Galveston, Texas, when the last enslaved Black Americans were told that they had been freed—more than two years after the Emancipation Proclamation, written and signed by the great Illinoisan Abraham Lincoln, took effect and officially freed all enslaved people in America.

Weeks before the Juneteenth event, the Treasurers had worked to conduct outreach to several banks with a presence in Illinois and Chicago. Many of the leaders of these banks had spoken out about their stances—and their institutions' stances—on the need to address systemic racism in the country. Many welcomed the invitation to actively make good on that desire by joining the Commission and committing to the work it would entail. More than 1,000 attendees joined the launch, which was live streamed to protect the health of all attendees during the pandemic.

Then, the work began.

What Is Your More?

The Juneteenth 2020 event marked the public announcement of the Commission's creation. During the event, banking representatives echoed a common theme: They felt their institutions had worked hard to focus on diversity and inclusion but acknowledged that they had not done enough or achieved results that would have a lasting impact. All expressed a similar desire to do better and an eagerness to be held accountable to the public commitment they made. In addition, all participants embraced the notion that the economic challenges disproportionately faced by Black and Brown Americans were systemic in nature and would require significant investment of time and resources to address.

The group agreed to examine three pillars related to banking and racial equity, recognizing each as unique but all interdependent on an institution's ability to dismantle systemic barriers for people of color. The pillars included:

- Advancing racial equity in lending
- Advancing racial equity in talent development
- Advancing racial equity in community investment

By Fall 2020, several of the participating banks had developed specific plans and, in some cases, taken concrete actions around addressing the problem of systemic racism. Noting the desire of all Commission members to do "more," a convening in October 2020 invited them to answer the questions: **What is your more? In the four months since beginning this work, what actions have you determined that you can and will take?**

The banks' plans had varying degrees of specificity and plans at varying levels of maturity, partly depending on their starting point prior to the Commission's creation. A sampling of these plans is included:

BMO Harris Bank

BMO representatives shared a number of steps the organization had taken:

- Announced 5-year diversity goals
- Reached 2020 goals for senior roles held by people of color and committed to expanding that number by 80 percent by 2025
- Increased outreach to HBCUs in recruitment efforts
- Created an advisory council to focus on engagement of Black and Latinx talent
- Launched specialized teams to assist minority businesses, including a commercial banking team
- Launched a webinar series to provide communities with free resources and financial advice, such as information on preparing for homeownership

In addition, the company noted that it planned to increase a focus on financial literacy in struggling communities.

JPMorgan Chase

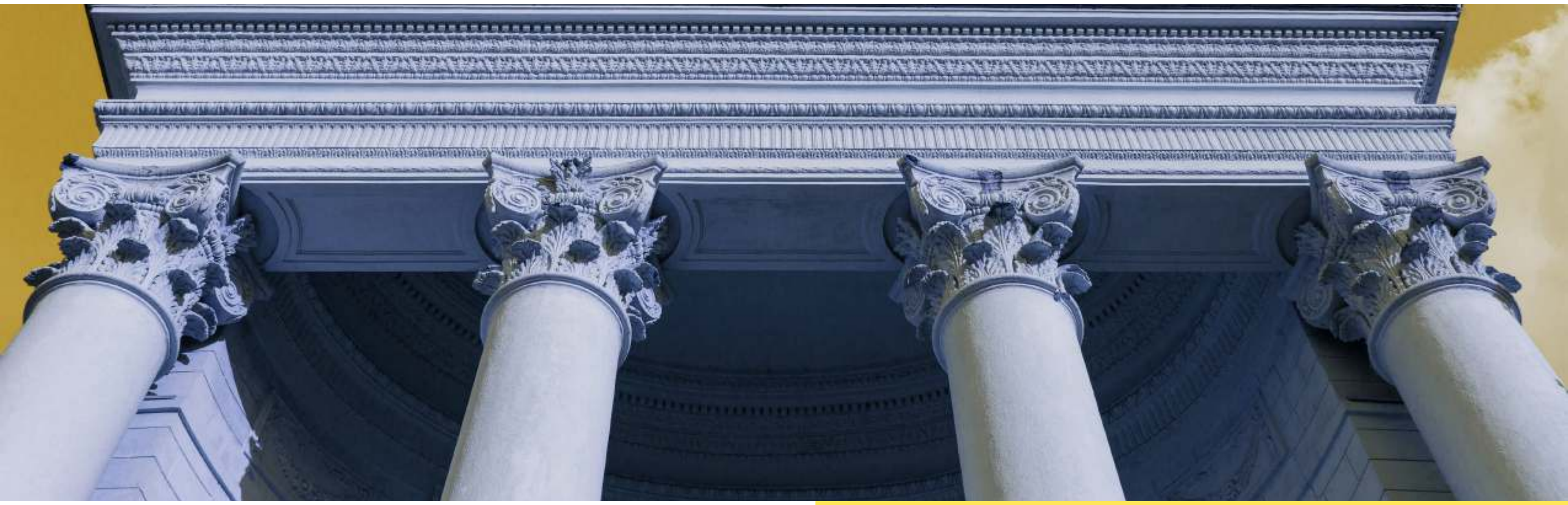
Leaders at JPMorgan Chase noted that they had launched a $30 billion commitment over the next five years to drive inclusive economic growth and a specific public policy agenda in five key areas, including:

- Promoting and expanding affordable housing and homeownership, including financing the purchase of over 40,000 homes and a Chicago-specific investment of $600 million toward mortgages for 3,000 Black and Latinx families
- Growing and supporting small businesses, including a commitment to provide more than 15,000 loans to minority small business owners across the country and launch a small business entrepreneurship initiative
- Improving financial health and access to financial services, aiming to help over 1 million customers enroll in low-cost or no-cost checking accounts, hiring more than 150 community managers (3 in Chicago), and launching branches in underserved communities where staff will focus on services like financial health and small business entrepreneurship
- Investing in employees—for example, through the Second Chance initiative which aims to expand hiring of those touched by the criminal justice system
- Investing in CDFIs, including a commitment of over $50M nationally over the next 5 years

PNC Bank

PNC Bank's leaders touted a $1 billion commitment to diversity and equity that accompanied lending, community investment, service and grant making. Specific planned initiatives included:

- Increased focus on post-secondary education and workforce development
- Expanding financial education and wealth building and reaching the unbanked
- Providing entrepreneurs of color with access to affordable capital and tech assistance
- Participation in Management Leadership for Tomorrow's Black Equity at Work certification program, which aims to increase Black representation at every level, achieve compensation equity, promote racially just business practices and create an inclusive, antiracist work environment
- Expanded LMI lending to facilitate homeownership, lowering FICO requirements and increasing down payment assistance
- Actively investing in loans for public infrastructure in underserved communities



Insights

During the fourth quarter of 2021, the Commission continued to meet to discuss banks' racial equity activities and goals. Its discussions included four in-depth conversations moderated by Justice Informed, a social impact consulting firm that specializes in diversity, equity and inclusion.

While the banks' initial steps toward change were significant in some cases, these discussions uncovered the challenges and complexities that banks faced in implementing systemic reforms. Throughout discussions, it also became clearer to the banks that while discrete initiatives may move the needle on certain key performance indicators like hiring, true racial equity is a lens through which banking operations, governance and talent development must be managed in their entirety. As Horacio Mendez, CEO of the Woodstock Institute, said during his moderation of an October 2020 meeting: “How are you going to make this part of your DNA?”

Banks, on the whole, still largely operate under a framework that is concerned primarily with diversity. A decade after the mid-20th Century's Civil Rights Era, a wave of new government policies and stakeholder expectations for banking institutions' practices swept America. Diversity initiatives, CRA and other government policies, and community partnership models were erected to ensure compliance with new laws, mitigate negative press, and include more people of color in the workforce and customer goals of banks. However, banks had not directly opposed racial inequity, committed to dismantling practices that perpetuate racial inequities, nor actively viewed government compliance as a starting line—not a destination.

Despite diligent efforts to prioritize social impact and community investments, most banks did not speak explicitly to any fundamental changes to their operating models, mission or vision in regards to advancing racial equity or community wealth. Banks have had a powerful role in the creation and perpetuation of systemic racism, but could be mitigators with careful consideration of their policies and practices. Without fundamentally re-organizing their financial and community-facing models to advance racial equity (or social equity generally), banks will continue to struggle to achieve the goal of racial equity.

In addition, although the driving force behind the Commission was the racial reckoning of 2020 and the acknowledgement that systemic racism pervades society, including banking, banks were not always explicit in their focus on the specific structural challenges facing Black and Brown communities. Instead, broader discussions on “low and moderate income” communities or increasing representative diversity took center stage. While issues such as representative diversity are important to racial equity, they are secondary to the very real structural racism experienced within the financial system in the United States. Banks occasionally shied away from explicitly naming these inequities—even when these inequities are caused by present or historical practices prevalent in the banking sector—and avoided centering race in their conversations. For example, discussions of women-owned business development initiatives sometimes included no mention of those initiatives centering race as well as gender identity. That suggests there is still trepidation on the part of banks to fully own their unique role and opportunities in rectifying racial disparity caused and perpetuated by the banking sector. Throughout conversations that followed, some institutions implied that an explicit focus on race would be deemed too political or controversial by their stakeholders.

The following sections summarize key insights from the Commission's discussions of its three pillars during the Justice Informed meetings.

Lending

Discussion on mortgage lending focused on the intricacies found within the mortgage lending landscape, encompassing several different stakeholders (such as realtors, appraisers, banks and borrowers) and several different policies that limit and expand the opportunities for racial equity.

Insight #1: Banks Must Control What They Can

There are inherent biases found within the property appraisal process that disadvantage both banks and developers who are servicing racially majority-minority communities. For example appraisers play a central role in home ownership as they are responsible for valuing property, which has downstream effects on attracting stakeholders in the investing, development and sale of property. However, banks lament the consistent undervaluing or ignoring of property in "LMI" or low- to moderate-income communities which disproportionately house Black and Brown individuals.

> *"We may have a product or derestricted placement but they won't appraise these."*

> *"Why would we make a sale on [a] property appraised at 200 when properties are at 420 in [other neighborhoods]? It presents a challenge for us and disincentives for developers and others."*

This concern for informal redlining through undervalued appraisal has occupied the minds of banks for a while now. Whether due to racial bias baked into appraisal standards or lowered property values due to community disenfranchisement and poverty, many point to the lack of diversity found within appraiser roles as well as generally within the real estate and mortgage sectors. There is a great need for more culturally competent and racially representative individuals in sectors across banking and finance, but ongoing bias and low financial literacy for these candidates hinder progress. In the case of appraisals, banks identified several positions where greater diversity is necessary, such as loan officers, underwriters, real estate agents and appraisers.

Understanding this issue, however, is not enough. Banks note that their limited ability to influence this industry is frustrating. Despite the variety of programs they are able to provide to these communities, the issue of appraisals remains persistent.

Collaboration across sectors is needed to ensure this structural barrier to racial equity is addressed and appropriately challenged.

Insight #2: Banks Need to Examine the Entire Lending Process to Understand Where Discrimination Enters the System

Stemming from several concerns including appraisal integrity, banks identified a need for greater collaboration between not only themselves but also with others across the lending ecosystem, such as lenders, appraisers, brokers, community developers, inspectors and others who participate or profit from the valuing or sale of real estate. All of these participants have different reasons for participating, government regulations they are beholden to, profit margins they seek and expectations for engagement in dismantling racial inequities in and through real estate transactions. The racial equity work done by one respective institution or participant may be counterproductive to another, and until there is communication and alignment, bank attendees felt their work is being conducted in a vacuum. In this discussion alone, banks pointed to several opportunities and areas for collaboration:

- Collaboration with real estate agents and developers to address concerns of steering customers away from FHA-backed properties and loans
- Working more closely with companies and organizations like Credit Karma to develop plans for helping customers with credit and access to loans
- Engaging councils and entities such as the National Association of Minority Mortgage Bankers of America to increase access to mortgage related education and services
- Understanding the needs of housing agencies and government entities (e.g. CHA, FHA, etc.) more clearly and tailoring services based on these requests

The banks have several ideas for collaboration, and it will be necessary for active coordination and a powerful case to be made so that all entities align their incentives and values with racial equity. It is also critical to ground all discussions on policy alignment, communications to customers and the availability of specialized services and programs in a clear racial equity framework. Alignment around this framework will likely prove the most challenging aspect of banks' work.

The same is true for small business lending. Small businesses, especially those owned by Black and Brown entrepreneurs, face unique challenges and barriers to funding and capital due to years of disenfranchisement, bias and lack of access to networks. As a result, banks have had to significantly adjust their offerings and the terms of their services to accommodate these entrepreneurs. Banks must examine the entire process, from borrower acquisition to closing and including outside stakeholders (such as accountants and tax professionals) to pinpoint where discrimination enters the process and focus on addressing those entry points.

Specific programs and initiatives can assist small business owners in overcoming structural obstacles that remain outside of banks' control. For example:

- Financial education for small business owners remains a critical form of assistance and a method of ensuring sustained growth and success, especially for Black and Brown business owners
- It is crucial to offer programs that reduce the risk of running a business and allow flexibility for a business to operate and make necessary expenditures, such as no-overdraft-fee policies, paycheck protection and PPP loan forgiveness
- Banks must diversify the ways small businesses can reach the bank and its services, including through technology and online portals

Insight #3: Diverse Workforces Can Aid in Community Engagement and Be Effective in Reaching Borrowers Outside of the Banks' Typical Clientele

Banks highlighted the value—and, in some cases, necessity—of partnering with local community-based organizations, CDFIs and partners to not only effectively market and reach relevant minority borrowers but also appropriately tailor programming. Most banks acknowledged that many of their services and loan offerings are not created with the needs of small business owners in mind.

Although new programming and offerings are being developed that better align with small business needs, CDFIs' existing relationships with these businesses and their ability to structure loans and support for small businesses remains crucial. Banks therefore often provide additional capacity and incentives to existing CDFI programming by covering the costs for financial training or incubator space, or providing coverage for equity and debt capital provided to businesses through a CDFI.

Outside of working with CDFIs, banks also benefit from more general partnerships with community partners, including, in one instance, the development of a community fund to support business development within a neighborhood. As one bank noted, it was able to create a community fund in partnership with community financial institutions by using its own clout and relationships to receive sufficient grant and investment dollars—with a priority on the former to absorb the typical business failures associated with the small business market. To cement the relevance of the community in this work, this fund was named after the community and not the participating bank. "We intentionally did not name it [Bank name] fund. It belongs to the community but we just sponsor it."

Banks referenced how community partnerships must also be managed by staff and stakeholders with the relevant life experiences and understandings of these communities and the challenges small business owners face. That requirement increases the need for racial diversity within banking roles tied to small business lending, but also points to the need for specifically focused roles. Banks highlighted hosting specific resource groups whose primary focus is advancing women-owned or minority-owned businesses. These groups provide key education to banking staff and stakeholders on the unique challenges these types of businesses face, while also working to advance specific programs and services tailored to these constituents. Separately, banks are working on developing new roles—such as minority development officers—who will provide a more “boots on the ground” function in identifying and coaching small and minority-owned businesses.

Insight #4: Innovation Is Important in Rethinking Risk Assessment Systems

(including risk tolerance overall and especially use of FICO, which has only been around since the late 80s anyway!!), rethink product designs, etc

It is well-documented that small and minority-owned businesses suffered disproportionately throughout the pandemic, losing funds, employees and access to affordable capital. Banks, however, were quick to note that this period has also generated rapid innovation by banks and increased engagement with small businesses. Banks suggested that the increase in PPP loans and SBA express loans create an opportunity for banks to consider how to transform that support into a more sustainable and enriching relationship between banking institutions and small businesses. In many ways, the increased needs of the small business community have led to the innovation needed to create solutions and approaches more tied to a racial equity lens.

Talent Development

Insight #1: Banks Resist Publicly Reporting Employee Demographic Data

Reporting of demographic data by a banking institution is a strong demonstration of transparency and accountability to DEI. Internally, it produces a sense of urgency and responsibility to maintain positive direction on representative diversity goals; externally, it allows the banking institution to receive crucial feedback and build trust with the public, including shareholders, competitors, investors and businesses.

Although banks generally agreed with this line of thought, few banks fully released their demographic information, opting instead to focus primarily on satisfying reporting compliance as opposed to full public transparency. For those banks that did publish their demographic information publicly, their information was also shared and split across region, department/function, and level of leadership within an organization. This level of transparency and specificity is commendable and stems from these banks’ belief that this type of reporting is important and part of their institution’s job as a community partner.

“We publish [demographic data] because of pride and it shows the bank that it has more ground to cover as it relates to expanding diversity at all levels. Finally, we believe it is the right thing to do.”

However, this view was not held by all, as some banks were more selective in their reporting. Some had concerns about the use of this data by certain entities such as the Federal Deposit Insurance Corporation (FDIC), owner-controlled insurance programs, and the National Credit Union Administration (NCUA). The lack of context from various government institutions for why this data is requested creates, as one participant described, a “murky situation.” In such cases, some banks preferred selectively choosing which clients and stakeholders receive internal or customer demographic information, while maintaining compliance with existing reporting expectations (such as Equal Employment Opportunity (EEO) reporting or affirmative action plans).

Additionally, as banks increase the diversity of their workforce, they must be careful to not singularly steer certain employees to specific functions and geographies while ensuring staff in local communities have relevant life and work experience.

Insight #2: Banks are Focused on Employee Performance and Advancement Planning

A main focus of conversation for banks was on how careful management of performance reviews and advancement was central to their support of racial equity. This conversation reflected a nuanced understanding of the needed structural and organizational supports to not only retain but advance Black and Brown talent. In regards to performance reviews, banks generally found that tying employee performance to DEI goals and behaviors was their most effective method of ensuring alignment to DEI. Banks named several strategies for doing this including:

- Establishing tailored scorecards for each member of a bank's leadership team that lists the enterprise goals as well as that executive's individual DEI goals (such as completion of trainings, department/function representative diversity goals, etc.). These scorecards were then tied to the executives' and/or CEO's performance reviews.
- Utilizing 360 reviews of managers where direct reports and peers rate managers on criteria including DEI and demonstration of behaviors to create an inclusive space. Some banks have also decided to base 50 percent of a manager's rating on these behaviors and people management abilities.
- Incentivizing DEI by further connecting strong performance reviews on DEI behaviors and/or goals to increased pay or bonuses for managers and employees. Banks did note the need to conduct equity analyses of these performance reviews and pay increases to prevent bias from affecting how performance is reviewed and feedback is delivered.

In addition to tailoring advancement strategies, some banks also noted that they are being more intentional about guiding employees—especially high performers—through options for promotion. Many participants noted that the retail functions of banking generally house most of the racial diversity in the bank's employee base, and broadening the scope of possibilities for employees to move into other areas of the company can help to ensure racial diversity throughout the institution's leadership levels and functions.

Insight #3: Increasing Competition for Black and Brown Candidates

Banks discussed the challenge of attracting and retaining Black and Brown talent at the same time that virtually all industries have begun increasing their recruitment efforts. It is true that recruiting efforts for minority candidates have markedly increased nationwide, particularly since the 2020 killing of George Floyd, creating added pressure for all recruiters and institutions vying for racially diverse talent. Banks indicated that they feel pressure both on recruiting and retention because their relatively high racial diversity in some areas, such as. retail banking, is now being recruited by other banks or industries. As one participant noted, “[Banks were] the best kept secrets of key talent and now that people have woken up, we are struggling to maintain our key talent.”

Although a solution was not necessarily found, banks did highlight the importance of strategies mentioned above to ensure internal culture and programs are inclusive and designed to retain talent.

Community Investment

Insight #1: Institutionalizing a DEI or Racial Equity Lens within a Bank is Significant and Necessary Work

Much of the conversation around community investment focused on the approach various banks have taken to not only create new strategies to advance marginalized communities but also to center and prioritize community investments and equity within their institution’s communications, leadership and rank-and-file employees. Clear among all banks was the need for this work to be a managed effort, involving vision-setting by leadership and innovation and execution by individual departments, managers and functions. In coordinating these various pieces of a bank, it is also necessary to continually make the case for community investment and the advancement of racial equity within the bank for those who may be resistant or convinced resources should be spent elsewhere. As banks identified this intricate mix of managerial and strategic responsibilities, most noted the need for full-time support to maintain momentum on DEI, community investment and social impact investing.

Participating institutions named several ways social impact efforts are managed internally, with many listing a specific role whose primary responsibility was to oversee and maintain direction on DEI or community investment goals. This summary of findings has already highlighted the incentivization and accountability measures banks use with employees to maintain DEI alignment, but this conversation focused more on the internal actors who ensure the institution’s employees are aligned to the institution’s social impact goals.

Outside of having specific roles designated to DEI and community investment, banks also described the need for a “ground-up and top-responsive” approach to setting institutional vision and strategy for social impact. On one level, there is a need for leadership to clearly articulate the banks’ vision for DEI and community investment while allowing individual departments to tailor their own approach to achieving the vision. Banks described processes where each department was asked to articulate how it could advance equity through its services, and these plans would then become the basis for biweekly check-ins to ensure accountability. Once the plans were developed and departments felt they had a part in setting the vision, leadership had to continually reinforce the vision. Candid conversations were seen as particularly important for motivating or educating top leaders who may see racial equity or investments in Black and Brown communities as a specifically political act rather than one of broader business or social importance.

Insight #2: Community Investment Work Cannot be Viewed as Just Philanthropy

Discussions also focused on the distinction between philanthropy and genuine community investment. Most of the banks found philanthropy—giveaways and lump sum donations—as insufficient. In general, banks disagreed with

the mentality that banks should simply handing out funds or purchase resources or capital on behalf of marginalized communities, highlighting a shift in these banks' perceptions of their roles. Instead, banks emphasized their responsibilities as community partners. While this does involve geographic presence such as branch location, banks recognized other ways to be seen as community partners, such as hiring, visiting and supporting local business and cultural areas, and building partnerships with local nonprofits and community centers.

"As a community bank, we hire from the community. We go to the community not as a business but as a resident."

"Once we announced our investment for the South Side, I drove [my bank executive] through the South Side so my bank executive could see how things are connected and how things work."

Defining a Path Forward

At the initiation of the Commission's moderated discussions, bank representatives were asked the most foundational question of the entire engagement: What is your definition of racial equity? Most banks lacked an institutionally accepted definition of racial equity.

At the onset of discussions, this was not surprising. Most banks indicated that despite existing programs aimed at increasing diversity, this was their first serious foray into the work of foundational racial equity. Yet by the end of two years of discussion and introspection—and numerous commitments to new programs aimed at addressing specific gaps—no banks had established definitions of racial equity.

It is understandable that any institution eager to change course on a matter as important, as visible and as consequential as racial equity would wish for quick, decisive actions that move the needle. But the work of reversing embedded, systemic racial inequities cannot happen quickly. It can happen only after deep examination of the root causes, the processes and policies that uphold such inequities, and the ways in which these inequities manifest—as well as a systematic dismantling of those processes and policies. While quick action might increase certain indicators, it often amounts to diversity work that acts as little more than window dressing.

There appears to be a gap between the desire for change and an understanding of the time and dedication that sustainable change requires. Racial diversity is quite different from racial equity. Each banking institution operates its own type of strategy, with its own interpretation of the work of equity, towards its own goals, for its own reasons. The Commission represented an opportunity to see just how different these models are, but what was also unearthed was the difference in the definitions of the words that were driving differences in strategy and impact. Consistently, the difference between diversity and equity was a point of conversation and challenge. Some banks tended to have more traditional strategies for impact and which were more often what Justice Informed would describe as diversity initiatives. Other institutions had far more scaled investible resources, and took on work that would more appropriately be described as racial equity initiatives (in addition to their defined racial diversity efforts). The difference lies in the focus upon root issues that drive racial inequity versus the desire to hire or retain more people of color in their workforce or customer population. One bank, which could be described as a mid-sized institution within the population of attending institutions, had a deeply evolved strategy for racial equity that challenged existing financial models for banking, used the language of racial equity (not just diversity), and was set up to challenge systemic racism in a fairly direct manner. Other banks' strategies were being driven primarily by hiring goals, rather than combating systemic racism within and from the financial services sector.

As banks discussed their strategies and initiatives to advance racial equity, the dynamics in each institution's internal workforce policies and practices, organizational structures, and management expectations highlighted the large-scale change management nuances that installing a DEI or racial equity lens would involve. Banks' programs and offerings for racially majority-minority communities varied significantly from typical offerings, presenting benefits and packages that offered interest rates, forgiveness programs, and low costs not found in other bank offerings. Additionally, several banks described the high effort required to not only host the internal conversations to prioritize Diversity, Equity, & Inclusion (DEI) or racial equity, but the challenge of maintaining that focus through sustained incentives and accountability. This work was described as requiring entirely new departments or positions, indicating the level of intentionality and resourcing needed to lift these strategies off the ground is beyond current organizational charts, resource planning, and institutional planning.

Despite all of the discussion of work toward diversity and inclusion—a "bare minimum" attempt at fixing the problem—banks acknowledged that they are still severely lacking in representation. Representation of individuals from the communities banks are working to serve better remains low, challenging these institutions' ability to appropriately tailor solutions and programs or represent the actual needs and desires of these communities. Notably, banks also discussed the effects a general lack of diversity across the financial ecosystem has on financial and banking decisions. The interconnected nature of this ecosystem—comprising banks, housing agencies, realtors, appraisers, community based organizations and many others—necessarily means that the challenges of one stakeholder affect the others. Banks noted several examples of how the lack of racial and general diversity across this ecosystem leads to biased decisions, undervalued assets and resources in racially majority-minority communities, and insufficient commitment and attention to issues of racial equity.

Throughout all conversations, banks noted the important role that community members and institutions that are primarily based in, or operating to support, majority-minority neighborhoods play in facilitating the varied initiatives and programs banks design for racially majority-minority communities. Each banking institution had various methodologies, levels of investment, and levels of rigor in their partnership strategies. On a broad level, community needs and ambitions should always play a central role in a bank's community investment strategy, and discussions revealed how banks have historically not involved the institutions and persons in majority-minority communities in this way. Comments of "philanthropy" being the primary modus operandi of banks' interactions with majority-minority communities point to a giver-receiver dynamic instead of one focused on collaboration and partnership.

Additionally, all strategies did not have the same catalysts. Some banks' community investment and partnership strategies were driven by Community Reinvestment Act (CRA) obligations and methods, while others were driven by sociological or public policy-informed data and directives, while others were driven by the ideas and methods that have been commonplace for banks since the late 20th century. Today, banks are realizing the sustained relationships with Community Development Financial Institutions (CDFIs), community-based organizations, and housing agencies, and other similarly focused entities are vital not only to create the appropriate programs but in certain instances for the viability and effectiveness of those very initiatives.

Summary of Recommendations

Recommendation #1: Define racial equity

The Treasurers' Offices define racial equity as "the reorganizing of institutional and societal power and access to ensure that those racially minoritized persons and communities who have been historically and/or presently left out, marginalized or disproportionately affected by structure identity barriers are afforded resources and opportunities that support them."

Banks must begin by agreeing to such a definition internally. Sustainable, measurable change cannot happen if banks do not create an internally agreed-upon definition of what they are attempting to achieve. Their inability to define racial equity after two years of discussions—largely remaining focused instead on diversity hiring and philanthropy—is somewhat disheartening. It is hard to imagine any one of these banks undertaking an institution-wide change without first defining what they are attempting to achieve, and the failure to do so on this issue calls into question the seriousness with which they are committed to do the work of racial equity. Leaders must recognize that true racial equity requires system-wide transformation from the ground up—but leadership from the top down—and that change cannot happen without a road map that clearly defines the starting point, the end goal, and the milestones in between.
This definition must address complete business integration, from supplier diversity to the diverse talent who live in diverse communities and bring diverse perspectives and connections—and enhance the firms' connections to the communities themselves.

Recommendation #2: Establish a clear definition for racial diversity that engages it as a distinct practice and outcome that is different from racial equity

Racial equity is a lens through which banking operations, governance and talent development are managed through, not an initiative to pursue. While racial diversity can be seen as a component of racial equity, it is a small piece of the puzzle that banks must solve. Commission discussions indicated that many banks do not yet have an understanding of true racial equity or why racial diversity is an incomplete solution to the problem they say they wish to help solve.

Recommendation #3: Understand and confront internal political obstacles

Throughout discussions, some banks indicated a wariness from some leaders and the feeling that certain actions in pursuit of racial equity might be construed as "too political" and therefore not viable paths forward. Bank leaders must understand the nuances of how racial equity efforts are often stymied by those who lead banks while viewing racial equity as a political act—thereby increasing these leaders' fear and resistance to devoting institutional
resources to this goal. This work is inherent in the development of a definition of racial equity, which pursues equity and fairness at all levels of operations. Those within banks who are committed to the work of racial equity must commit to confronting and dismantling real or perceived political obstacles.

Recommendation #4: Reframe community partnerships

There is a vast difference between bank strategies that demonstrate community-involved practices versus community-impacting practices; the latter indicates philanthropic actions that are bank-derived while the former indicates ideas and actions that are derived in, and in partnership with, the community. While most banks have undertaken philanthropic work—for example, initiatives meant to infuse capital into communities—such initiatives are often hatched within the walls of the banks and then dispersed into the community. That approach leaves community voices out of the process—and leaves banks uninformed about what ideas communities may have for themselves. Banks must temper their institutional power and resources with the agency and knowledge of local communities. These questions should continue to be a focus for banks as they reimagine their role as leaders in driving equity and economic growth. For banks that have more limited consumer-facing activities, establishing an Environmental, Social and Governance investment policy is an accessible way to advance racial equity. In addition, banks must be mindful of the fact that proximity does not equate to true access for those who reside in majority-minority communities. While having bank branches nearby is a critically important piece of the puzzle, it is the nature of the relationships that form between the bank representatives and community members—and the actions that grow out of those relationships—that will determine whether a bank is truly committed to equity.

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