California Department of Financial Protection and Innovation

Survey of Diversity in State Banking

PROTECTING CONSUMERS FOSTERING TRUST & INNOVATION

2021
April 21, 2021

Dear State-Chartered Financial Institutions and Stakeholders:

I am pleased to present the Department of Financial Protection and Innovation’s inaugural Report on the Survey of Diversity in State Banking. This report summarizes the findings of the first department-sponsored diversity survey issued to all 233 state-chartered banks and credit unions in October 2020. The report includes the aggregated, anonymized data voluntarily submitted by the 80 banks and credit unions that responded to the survey, reflecting a 34 percent response rate. The names of the financial institutions that participated in the survey are listed in the report.

The racial inequities exposed by the COVID-19 pandemic and social justice protests of the past year have rallied many financial institutions across the country to examine their hiring practices and internal systems. The Department, as the state financial services regulator, is uniquely positioned to assess market trends and support diversity, equity and inclusion goals within California’s financial institutions. The Survey of Diversity in State Banking not only helps financial institutions evaluate their relative progress in implementing diversity initiatives it also better informs the Department of areas to focus licensee education.

To submit questions about the survey or find out more about the work the Department is doing to support diversity, equity and inclusion, please contact Miranda LeKander, Special Counsel on Diversity, Equity and Inclusion, at DEI@dfpi.ca.gov.

I appreciate the financial institutions that participated in the Department’s first Survey of Diversity in State Banking and look forward to seeing more equitable banking outcomes for all Californians.

Sincerely,

MANUEL P. ALVAREZ (he/him/his)
Commissioner of Financial Protection and Innovation
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Executive Summary

The Department of Financial Protection and Innovation (DFPI) licenses and regulates state-chartered banks and credit unions under the California Banking Law and the California Credit Union Law. In October 2020, the DFPI invited all state-chartered banks and credit unions to participate in a voluntary survey of diversity in banking (“Diversity Survey”). The purpose of the Diversity Survey was to conduct an assessment of diversity, equity, and inclusion policies and measures implemented by California banks and credit unions. To accomplish this objective, the DFPI sent an electronic survey form to all 233 state-chartered banks and credit unions. The survey form contained general questions about diversity, equity, and inclusion policies and practices at each financial institution. The Diversity Survey closed in early December 2020.

Key findings of the Diversity Survey include:

- Thirty-nine of the 112 state-chartered banks responded to the survey, for a participation rate of 34 percent. Forty-one of the 121 state-chartered credit unions responded to the survey, for a participation rate of 34 percent. The overall participation rate for state-licensed financial institutions was 34 percent.*

- Responding financial institutions reported collecting employee and board member data on the following: 60 percent collect ethnic/gender data; roughly 40 percent inquire about veteran/disability status; about 15 percent ask about “other” categories, including marital status and age; only 3 percent collect data on sexual orientation.

- Forty percent of survey respondents provided the DFPI with the requested data supporting the demographic information.

- Approximately half of responding financial institutions mandate diversity education or training for employees while only 23 percent require diversity training for board members.

- About 40 percent of financial institutions have board-approved diversity, equity, and inclusion goals, with purposeful recruiting being the most common.

- One-third of financial institutions track diversity, equity, and inclusion efforts, with reliance on self-assessment tools being the most common.

- Over 75 percent of survey respondents would like the DFPI to support diversity, equity, and inclusion efforts by providing education and training to licensees.

*The names of all financial institutions that responded to the Diversity Survey appear on page 9 of this report.
Corporate Board and Workforce Diversity

The Diversity Survey asked institutions to indicate the type of demographic data they collect for corporate board members and employees.

The identifying data collected most frequently by banks and credit unions was “sex/gender identity” and “race/ethnicity,” with approximately 60 percent reporting they ask about these categories.

Veteran status was the next most commonly collected category of data, with 41 percent of banks and 32 percent of credit unions collecting data in this area.

Disability status followed, with data collected by 31 percent of banks and 22 percent of credit unions.

Only three percent of banks reported collecting sexual orientation data. No credit unions collect sexual orientation data although one reported collecting this information if offered.

Twenty percent of credit unions and thirteen percent of banks collect data in the “Other” category, including marital status and age.

Forty percent of survey respondents – representing approximately 14 percent of licensees – submitted their “most recent collected data” to the DFPI.

Data Collected on Board and Workforce Diversity
Strategies for Increasing Diversity, Equity, and Inclusion

The Diversity Survey asked licensees to share their board-approved goals or strategies for increasing diversity, equity, and inclusion within their institutions.

Both banks and credit unions rely on recruiting as the top strategy for increasing diversity, with 44 and 37 percent implementation, respectively.

Banks reported utilizing compensation review, community outreach, and “other” strategies equally (about 26 percent each). Employee engagement, supplier diversity, and career advancement were used by about 15 to 18 percent of banks.

For credit unions, 29 percent reported using compensation review and “other” methods for increasing diversity. One-quarter of credit unions employ community outreach and career advancement strategies, and seven percent focus on supplier diversity.

Diversity Strategies
Tools Used to Analyze Diversity Data

The Diversity Survey asked financial institutions to identify the type of tools used to analyze diversity-related data.

Self-assessment tools were the principal analytics used by 38 percent of responding banks. About one-third of banks reported use of “other” methods such as in-house solutions and third-party vendors. Employee surveys were used by 26 percent of banks. Internal audits were implemented by 15 percent of banks.

For credit unions, self-assessment tools were also the principal analytics employed, with 29 percent reporting use, followed by employee surveys at 24 percent. Twenty-two percent of credit unions conducted internal audits, while “other” methods (mostly reliance on EEO-1 report filings) accounted for 15 percent.
Diversity Training for Employees and Board Members

The Diversity Survey asked financial institutions whether diversity education or training was required for employees and board members.

A majority of banks (56 percent) and nearly half of credit unions (46 percent) reported that they require diversity education or training for employees.

For corporate board members, the numbers are lower. Only 36 percent of banks require board members to participate in diversity training while 10 percent of credit unions do so.
Regulator Support of Diversity, Equity, and Inclusion Efforts

The Diversity Survey asked licensees to identify the type of guidance they would most like to receive from the DFPI to support diversity, equity, and inclusion efforts.

Banks and credit unions overwhelmingly – 85 and 73 percent, respectively – identified education and training as the number one area where support was desired from the DFPI. Department-hosted roundtables were the second-most popular form of guidance requested followed by licensee advisory groups.

Type of Regulator Support Desired by Licensees
## 2021 Diversity Survey Summary

<table>
<thead>
<tr>
<th></th>
<th>Banks</th>
<th>Credit Unions</th>
<th>All Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of participating institutions</td>
<td>39/112</td>
<td>41/121</td>
<td>80/233</td>
</tr>
<tr>
<td>Participation rate</td>
<td>35%</td>
<td>34%</td>
<td>34%</td>
</tr>
</tbody>
</table>

1. Data collected on corporate board member and workforce diversity.

<table>
<thead>
<tr>
<th>Category</th>
<th>Banks</th>
<th>Credit Unions</th>
<th>All Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sex/gender identity</td>
<td>59%</td>
<td>61%</td>
<td>60%</td>
</tr>
<tr>
<td>Race/ethnicity</td>
<td>59%</td>
<td>59%</td>
<td>59%</td>
</tr>
<tr>
<td>Disability</td>
<td>31%</td>
<td>22%</td>
<td>26%</td>
</tr>
<tr>
<td>Veteran status</td>
<td>41%</td>
<td>32%</td>
<td>36%</td>
</tr>
<tr>
<td>Sexual Orientation</td>
<td>3%</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>13%</td>
<td>20%</td>
<td>16%</td>
</tr>
</tbody>
</table>

2. Does your institution have board-approved goals or strategies for increasing diversity, equity and inclusion?

<table>
<thead>
<tr>
<th>Category</th>
<th>Banks</th>
<th>Credit Unions</th>
<th>All Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recruiting</td>
<td>44%</td>
<td>37%</td>
<td>40%</td>
</tr>
<tr>
<td>Employee engagement</td>
<td>18%</td>
<td>37%</td>
<td>28%</td>
</tr>
<tr>
<td>Compensation review</td>
<td>26%</td>
<td>29%</td>
<td>28%</td>
</tr>
<tr>
<td>Career advancement</td>
<td>13%</td>
<td>22%</td>
<td>18%</td>
</tr>
<tr>
<td>Community outreach</td>
<td>26%</td>
<td>24%</td>
<td>25%</td>
</tr>
<tr>
<td>Supplier diversity</td>
<td>15%</td>
<td>7%</td>
<td>11%</td>
</tr>
<tr>
<td>Other</td>
<td>26%</td>
<td>29%</td>
<td>28%</td>
</tr>
</tbody>
</table>

3. Does your institution use analytical tools to assess and measure diversity-related data?

<table>
<thead>
<tr>
<th>Category</th>
<th>Banks</th>
<th>Credit Unions</th>
<th>All Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee surveys</td>
<td>26%</td>
<td>24%</td>
<td>25%</td>
</tr>
<tr>
<td>Internal audit</td>
<td>15%</td>
<td>22%</td>
<td>19%</td>
</tr>
<tr>
<td>Self-assessment tools</td>
<td>38%</td>
<td>29%</td>
<td>34%</td>
</tr>
<tr>
<td>Other</td>
<td>31%</td>
<td>15%</td>
<td>23%</td>
</tr>
</tbody>
</table>

4. Does your institution require diversity education/training for board members?

<table>
<thead>
<tr>
<th>Category</th>
<th>Banks</th>
<th>Credit Unions</th>
<th>All Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>36%</td>
<td>10%</td>
<td>23%</td>
</tr>
<tr>
<td>No</td>
<td>62%</td>
<td>88%</td>
<td>75%</td>
</tr>
</tbody>
</table>
5. Does your institution require diversity education/training for employees?

<table>
<thead>
<tr>
<th></th>
<th>56%</th>
<th>46%</th>
<th>51%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>56%</td>
<td>46%</td>
<td>51%</td>
</tr>
<tr>
<td>No</td>
<td>38%</td>
<td>51%</td>
<td>45%</td>
</tr>
</tbody>
</table>

6. What guidance from the DFPI would be helpful to support licensees’ diversity and inclusion efforts?

<table>
<thead>
<tr>
<th>Guidance</th>
<th>56%</th>
<th>46%</th>
<th>51%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department roundtables</td>
<td>36%</td>
<td>22%</td>
<td>29%</td>
</tr>
<tr>
<td>Licensee advisory group</td>
<td>21%</td>
<td>15%</td>
<td>18%</td>
</tr>
<tr>
<td>Education/training support</td>
<td>85%</td>
<td>73%</td>
<td>79%</td>
</tr>
<tr>
<td>Other</td>
<td>8%</td>
<td>2%</td>
<td>5%</td>
</tr>
</tbody>
</table>
Participating Financial Institutions

1st United Credit Union
1st Valley Credit Union
Alta Vista Credit Union
American River Bankshares
American Riviera Bank
Avidbank
Bank of Hemet
Bank of Marin
Bank of Santa Clarita
Bank of the Sierra
Bank of the West
Barstow Community Credit Union
Beneficial State Bank
California Agribusiness Credit Union
California Business Bank
California Credit Union
California Lithuanian Credit Union
CalPrivate Bank
Cathay Bank
Central Valley Community Bank
Citizens Business Bank
Coast Hills Credit Union
Community Bank of the Bay
Credit Union of Southern California
Eagle Community Credit Union
East West Bank
Eastern Int'l Bank
El Monte Community Credit Union
EverTrust Bank
Exchange Bank
Financial Partners Credit Union
First Entertainment Credit Union
First General Bank
Fremont Bank
Friendly Hills Bank
GBC International Bank
Heritage Bank of Commerce
Home Bank of California
Huntington Beach Credit Union
Liberty Bank
Merchants Bank of Commerce
MERCO Credit Union
Meriwest Credit Union
Monterey Credit Union
My Credit Union
MyPoint Credit Union
Nikkei Credit Union
North Bay Credit Union
Open Bank
Organized Labor Credit Union
Pacific Premier Bank
Pacific Service Credit Union
Patelco Credit Union
Poppy Bank
Premier America Credit Union
PremierOne Credit Union
Provident Credit Union
Redwood Capital Bank
River Valley Community Bank
Sacramento Credit Union
SAFE Credit Union
San Fernando Valley Japanese Credit Union
San Joaquin Power Employees Credit Union
San Mateo Credit Union
Sierra Central Credit Union
Silicon Valley Bank
Silverado Credit Union
Southland Credit Union
State Bank of India (CA)
Summit Bank
Sunwest Bank
Travis Credit Union
Tustin Community Bank
United Security Bank
UNCLE Credit Union
USC Credit Union
Valley Oak Credit Union
Ventura County Credit Union
Wescom Credit Union