



EXPANDING HOMEOWNERSHIP
CHARTING A PATH FORWARD

Profiting from DEI

Embracing Diversity and Inclusion in Mortgage Lending Means CUs and their Members Will Benefit

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Embracing diversity and inclusion is essential in today's mortgage lending landscape. As refinance activity declines due to rising interest rates, credit union mortgage lenders can increase their market share by attracting minority borrowers. The 2020 Census shows the United State as a country whose population is increasingly diverse and multiracial, breaking down traditional demographic lines. The Hispanic or Latino population, for example, grew 23% and the multiracial population overall experienced a 276% increase between 2010 and 2020, and the trend only continues.



Diversity, Equity, and Inclusion (DEI) must be a high priority for credit union mortgage lenders. At its most basic, DEI refers to building diverse, equitable and inclusive workplaces that reflect the communities served. But DEI is more than creating a welcoming environment and equal opportunities for everyone. Workplace equity and inclusion mean valuing all employees and providing everyone equal access to resources for career growth and promotion to leadership. On the consumer side, fair lending laws mandate that lenders provide “fair and equal access to mortgage services to individuals without discriminating based on gender, age, race, religion, dis-

ability, and sexual orientation.”

A lender committed to DEI focuses on building staff, leadership, and a member base that reflect the borrowers it wants to serve. Diverse staff and leadership create an environment where a broader range of ideas can flourish, boosting the credit union’s bottom line and increasing benefits to the members it serves.

MINORITY DEPOSITORY INSTITUTIONS

Minority Depository Institution (MDI) credit unions typically offer affordable financial products and services to underserved individuals and communities. In an MDI credit union, more than 50 percent of its current board members are Asian American, Black American, Hispanic American, or Native American. More than 50% of current credit union members, and more than 50% of current and eligible potential members (combined), reflect these same diverse population groups.

There are currently more than 500 MDI credit unions. The National Credit Union Administration (NCUA) provides resources, including training, technical assistance, and—for low-income-designated MDIs—access to grants, loans, and an MDI mentoring program. To become an MDI, a credit union must self-designate as an MDI using the online Credit Union Profile and respond “yes” to both “Minority Depository Institutions Questions” in the Profile.

EMBRACING DEI DRIVES PROFITABILITY AND GROWTH

With the world so rapidly changing, credit union lenders will struggle to reach their sales and growth goals if they don’t develop a more diverse member base. Forty

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EMPLOY A DIVERSE, REPRESENTATIVE STAFF

Many credit union members examine their lender’s staff and leaders to determine their diversity. Potential borrowers may feel uncomfortable — and avoid doing business with that lender — if they cannot work with someone who they believe better understands them. When a borrower works with a diverse group of helpful people, homeownership may seem more attainable. This is especially important for members who speak other languages.

Eliminating language barriers is one important strategy to build a stronger, broader member base.

To address this, lenders need an employee base that reflects their member base. To attract more diverse borrowers, lenders should employ a diverse, representative staff. With insights into what people in their communities consider a satisfying home buying experience, these employees can better meet borrower expectations.

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members identify — tend to serve communities that are majority Black. Not surprisingly, Black-led credit unions make more home loans to Black borrowers, according to the Federal Deposit Insurance Corp. Women and other people of color also are making great advances within the financial services industry. The Bank Administration Institute (BAI), a nonprofit that conducts research and delivers insights for the financial services industry, found in a 2020 survey that 86% of financial services employees reported that they agree or strongly agree that their organization is committed to diversity. Minorities (87%) and females (86%) share this positive opinion.

However, there is still much work to be done. Equal Employment Opportunity Commission (EEOC) data show that across all financial services, white men made up more than half of all executive and senior-level positions in 2018. The next step is to find ways to grow more leaders from diverse employee pools.

CREATE AN INCLUSIVE COMMUNITY

Members also look for signs of diversity in lending in their own community. Prospective borrowers who don't know many homeowners who look like them may assume they won't qualify for a mortgage. By reaching out to members in underserved areas, lenders can demonstrate their willingness to serve them. Innovative lenders are embracing new strategies, such as considering untraditional means to evaluate borrowers (e.g., considering rent payments as part of borrowers' credit histories), to allow more people to achieve the

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American Dream of homeownership. They are also investing in programs that give every employee equal growth and advancement opportunities.

USE SOFTWARE TO SUPPORT AND PROMOTE DIVERSITY

Another key finding from the BAI research was that while most financial services organizations are committed to DEI, many organizations are not measuring empirical data tied to DEI efforts. The research also found that while most financial services organizations have DEI goals in place, fewer reported inclusion and equity goals.

Lenders can use technology and data to further their DEI strategies and goals, especially when leveraging Web-based mortgage software.

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Technology also enables lenders to help members feel comfortable with the mortgage process. Today, borrowers from many backgrounds embrace electronic capabilities (e.g., eSign, eClose, and eMortgages). Lenders can send electronic documents to borrowers prior to closing, giving them time to review and share with family members and trusted advisors. Electronic options

may alleviate fear of the unknown and get more borrowers to the closing table. Technology also makes it easier to educate members. Lenders can build custom materials that help borrowers from different backgrounds understand the mortgage process and find the best products and rates. Videos, video chat and online help resources explain the complex home buying process.

Credit union lenders can use mortgage software to examine their loan data to find any gaps in their service. HMDA data provides a simple way to benchmark a lender's performance against peers and look for ways to expand services or eliminate unintentional biases. Lenders can also use underwriting software that removes bias from underwriting decisions by making sure applications are not altered based on a borrower's demographic characteristics.

Everyone benefits in a mortgage industry that embraces DEI. More variety within a credit union leads to broader knowledge and insight, and a more diverse member base fosters growth. Lenders should keep in mind that people from different cultures think and see things differently. Considering other perspectives opens more doors and opportunities—essential in this competitive market.

By recruiting diverse, well-qualified staff and expanding their member base and offerings, credit union lenders can boost member satisfaction — and their organization's bottom line.

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