



February 2019

FEDERAL HOME LOAN BANKS

Steps Have Been Taken to Promote Board Diversity, but Challenges Remain

Accessible Version

GAO Highlights

Highlights of [GAO-19-252](#), a report to congressional requesters

Why GAO Did This Study

The FHLBank System consists of 11 regionally based banks cooperatively owned by member institutions. In 2018, each FHLBank had a board of 14–24 directors. Member directors are nominated from member institutions and independent directors from outside the system. Member institutions vote on all directors. At least two independent directors on a board must represent consumer or community interests. FHFA is the regulator of the FHLBanks.

GAO was asked to review FHLBanks' implementation of board diversity and inclusion matters. This report examines (1) steps FHFA took to encourage board diversity at FHLBanks; (2) trends in gender, race, and ethnicity on FHLBank boards; and (3) challenges FHLBanks face and practices they use to recruit and maintain diverse boards. GAO analyzed FHLBank data on board demographics, reviewed policies and regulations, and reviewed previous GAO work on diversity at FHLBanks and the financial services industry. GAO interviewed FHFA and FHLBank staff and a nongeneralizable sample of FHLBank board directors and external stakeholders knowledgeable about board diversity.

What GAO Recommends

GAO recommends that FHFA, in consultation with FHLBanks, review data collection processes for board demographic information and communicate effective practices to banks. FHFA agreed with GAO's recommendation.

View [GAO-19-252](#). For more information, contact Anna Maria Ortiz at (202) 512-8678 or ortiza@gao.gov.

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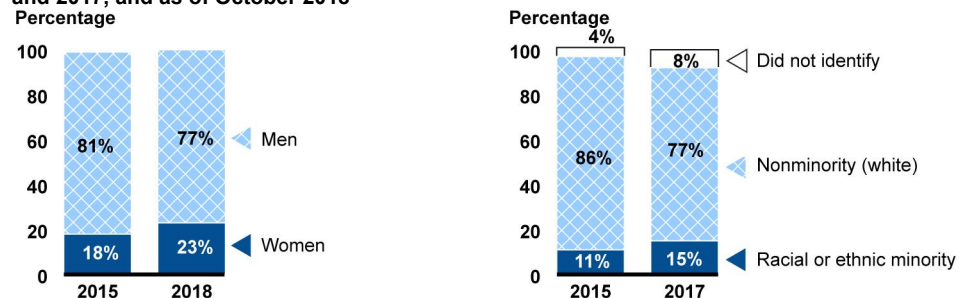
Steps Have Been Taken to Promote Board Diversity, but Challenges Remain

What GAO Found

The Federal Housing Finance Agency (FHFA) has taken formal and informal steps to encourage board diversity at Federal Home Loan Banks (FHLBank) since 2015. For example, FHFA required FHLBanks to add board demographic data to their annual reports; clarified how banks can conduct outreach to diverse board candidates; and allowed some banks to add an independent director.

Since 2015, the share of women and minority directors on the boards of FHLBanks increased (see figure). The number of women directors increased from 34 in 2015 to 44 in October 2018, and the number of minority directors increased from 20 in 2015 to 30 in 2017, based on most recently available data. Trends for minority directors were less clear, because the banks' varying data collections processes did not always allow them to determine the extent to which directors opted out or forgot to answer data collection forms. FHFA stated that it planned to use board data to establish a baseline to analyze diversity trends. A review of the banks' data collection processes would help identify whether practices exist that could help improve the completeness of the data.

Share of Women and Minorities on Federal Home Loan Bank Boards, in Calendar Years 2015 and 2017, and as of October 2018



Source: GAO analysis of Federal Home Loan Bank and Securities and Exchange Commission data. | GAO-19-252

Note: Board directors voluntarily reported their race or ethnicity. The "did not identify" category might have included directors who opted out or forgot to provide the information. GAO completed gender information using other available data from 2018. Percentages may not sum to 100 due to rounding.

FHLBanks reported they continued to face some challenges to their efforts to promote board diversity, especially among member director seats. The challenges include (1) balancing the addition of new women or minority directors with retaining the institutional knowledge of existing directors; and (2) competing with other organizations for qualified female and minority board candidates. Despite reported challenges, FHLBanks have taken measures to promote board diversity, such as establishing a task force to promote board diversity through information sharing and training. Individually, the FHLBanks emphasized the importance of diversity in election materials, built pools of diverse candidates, and conducted outreach to industry and trade groups. They also took actions to increase diversity specifically among member directors, including filling interim board seats with women and minority candidates and encouraging directors to personally reach out to potential women and minority candidates.

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Abbreviations

CEO	chief executive officer
EEO-1	Employer Information Report
EEOC	Equal Employment Opportunity Commission
FHFA	Federal Housing Finance Agency
FHLBank	Federal Home Loan Bank
FHLBNY	Federal Home Loan Bank of New York

HERA	Housing and Economic Recovery Act of 2008
OMWI	Office of Minority and Women Inclusion
SEC	Securities and Exchange Commission

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February 14, 2019

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
House of Representatives

The Honorable Joyce Beatty
Chairwoman
Subcommittee on Diversity and Inclusion
Committee on Financial Services
House of Representatives

The Honorable Carolyn Maloney
Chairwoman
Subcommittee on Investor Protection, Entrepreneurship, and Capital
Markets
Committee on Financial Services
House of Representatives

The Housing and Economic Recovery Act of 2008 (HERA) elevated the importance of diversity at the Federal Home Loan Bank (FHLBank) System, which provides liquidity for its member institutions to use in support of housing finance and community lending.¹ For instance, HERA required that each FHLBank create an Office of Minority and Women Inclusion (OMWI) or designate an office to perform duties required of the OMWI. HERA also created the Federal Housing Finance Agency (FHFA) as the regulator of the FHLBanks and required that all board directors be elected rather than appointed by the banks' regulator.²

Academic researchers and others have highlighted the importance of diversity among board directors, which they say can help better address

¹Pub. L. No. 110-289, § 1116(4), 122 Stat. 2654, 2682 (2008).

²Prior to HERA, independent directors were appointed by the Federal Housing Finance Board, the predecessor of FHFA.

risks and complex issues or contribute to more diverse leadership.³ In 2015, we reported that while FHLBanks took steps to increase board diversity, female and minority representation on their boards was limited.⁴ In another 2015 report, we found that women’s representation on boards of U.S. publicly traded companies had been increasing, but we estimated that complete gender balance could take decades.⁵

You asked us to review the diversity and inclusion efforts at FHLBank boards. This report examines the (1) extent to which FHFA has taken steps to encourage board diversity at FHLBanks; (2) trends in diversity composition (gender, race, and ethnicity) for the boards of individual FHLBanks; and (3) challenges FHLBanks face and practices they use in recruiting and maintaining a diverse board.⁶

To address these objectives, we reviewed relevant laws and regulations related to FHLBank boards, including FHFA regulations on director elections and diversity reporting requirements. To obtain information on steps FHFA has taken to encourage FHLBank board diversity, we also reviewed other FHFA documentation, such as FHFA’s template for the banks’ annual reports and its 2016–2018 annual analysis related to the bank boards. We also interviewed FHFA staff to learn about the agency’s efforts to encourage board diversity, including regulation amendments and guidance.

To describe trends in FHLBanks’ board diversity, we analyzed gender and race/ethnicity data self-reported by board directors in the banks’ annual reports to FHFA as of the end of 2015, 2016, and 2017.⁷ At the

³For example, see Yu Chen, John Daniel Eshleman, and Jared S. Soileau, “Board Gender Diversity and Internal Control Weaknesses,” *Advances in Accounting, Incorporating Advances in International Accounting*, vol. 33 (2016); and Alison Cook and Christy Glass, “Diversity Begets Diversity? The Effects of Board Composition on the Appointment and Success of Women CEOs,” *Social Science Research*, vol. 53 (2015). Also, in 2009 the Securities and Exchange Commission issued a rule requiring public companies to disclose the extent to which their boards considered diversity when nominating directors. *Proxy Disclosure Enhancements*, 74 Fed. Reg. 68334 (Dec. 23, 2009).

⁴GAO, *Federal Home Loan Banks: Information on Governance Changes, Board Diversity, and Community Lending*, [GAO-15-435](#) (Washington, D.C.: May 12, 2015).

⁵GAO, *Corporate Boards: Strategies to Address Representation of Women Include Federal Disclosure Requirements*, [GAO-16-30](#) (Washington, D.C.: Dec. 3, 2015).

⁶Diversity has many dimensions, but this report focuses on gender, race, and ethnicity.

⁷All years in this report are calendar years, unless otherwise noted.

time of our review, the most recently available data on board directors' race/ethnicity were from the banks' 2017 annual reports. To provide more recent data on board directors' gender, we also compiled a list of board directors who started or continued their terms on the FHLBank boards in 2018, based on information from the banks' 2017 Form 10-K filings with the Securities and Exchange Commission (SEC).⁸ We then confirmed with each bank our compiled list of board directors, as of October 17, 2018. We also requested and analyzed the gender and race/ethnicity data voluntarily reported by each bank's board chair and vice chair as of October 17, 2018, and requested the names of the chairs and vice chairs of their board committees as of October 26, 2018.

Because some directors did not self-identify their gender in 2015–2017 annual reports, we also used information in the FHLBanks' 2014–2017 Form 10-Ks to derive data on the gender of the banks' board directors as well as directors in board leadership positions as of October 2018. For example, if directors were referred to as "Mr." in the Form 10-Ks, we counted them as male. If they were referred to as "Ms.," we counted them as female. However, we were not able to derive data on the race/ethnicity for board directors who did not self-identify their race/ethnicity in 2015–2017 annual reports because the banks' Form 10-Ks did not include such information. We assessed the reliability of the data from the banks' annual reports and Form 10-Ks through electronic testing, a review of documentation, and interviews with knowledgeable agency staff. We determined these data to be sufficiently reliable for describing the overall trends and composition of gender and race/ethnicity at the FHLBank boards, except the data for directors who did not self-identify their race/ethnicity, as discussed later in the report.

We also compared the most recently available demographic information on FHLBank board directors with the demographic composition of senior management in the financial services industry and the overall private sector (excluding financial services), based on data from the Employer Information Report (EEO-1) of the Equal Employment Opportunity

⁸FHLBanks' Form 10-Ks for a given year include information on directors who will start or continue to serve on boards in the following year. For example, an FHLBank's 2017 Form 10-K includes information on directors who would start or continue their terms on January 1, 2018.

Commission (EEOC).⁹ In our analysis, we included workforce from all sites of multi-establishment companies (companies with multiple locations). Consequently, the analysis included in this report may not match the analysis found on EEOC's website, which excludes workforce from sites of multi-establishment companies with less than 50 employees. Senior management in the financial services industry represents a pool of comparable candidates that could provide directors for FHLBank boards.¹⁰ We assessed the reliability of the data from the EEO-1 report through electronic testing, a review of documentation, and interviews with knowledgeable agency staff, and determined them to be sufficiently reliable for comparing the composition of gender and race/ethnicity in the financial services sector and the overall private sector with that at the FHLBank boards.

In addition, we requested and reviewed the forms and questions each FHLBank used to collect gender and race/ethnicity information from their board directors. We also reviewed information on the methods the banks used to distribute and collect these data collection forms, and any instructions or guidance FHFA provided to the banks on collecting this information. We reviewed relevant FHFA regulations on collecting and submitting board directors' gender and race/ethnicity information.¹¹ Furthermore, we compared the banks' data collection processes with

⁹At the time of our review, the most current data available for FHLBank board director race/ethnicity were from 2017 and gender were from October 2018. The most recent data from EEO-1 report were from 2016. EEOC requires employers with 100 or more employees (lower thresholds apply to federal contractors) to annually submit data on the racial/ethnic and gender characteristics of employees by job category. Employees can identify as Hispanic or Latino, or as White, Black or African-American, Native Hawaiian or Other Pacific Islander, Asian, Native American or Alaska Native, or Two or More Races. If an employee declines to self-identify his or her race or ethnicity, employment records or observer identification may be used. For our report, senior management includes executive and senior-level management (defined as those who plan, direct, and formulate policies, set strategy, and provide the overall direction of the organization). For example, senior management includes chief executive officers, chief operating officers, chief financial officers, presidents or executive vice presidents, chief information officers, chief human resources officers, chief marketing officers, chief legal officers, and management directors.

¹⁰For EEOC reporting, the financial services industry consists of five sectors: banks and other credit institutions; funds and trusts (such as investment companies); securities and other activities; insurance; and monetary authorities (such as central banks).

¹¹12 C.F.R. § 1223.23.

federal internal control standards to identify opportunities for improvements to the banks' processes, as discussed later in the report.¹²

To obtain information on the challenges FHLBanks face and practices they use to recruit and maintain a diverse board, we reviewed the banks' documentation related to board director elections and diversity considerations, such as board election materials and skills assessments. We also interviewed FHFA and FHLBank staff and a nongeneralizable sample of external stakeholders knowledgeable about diversity.¹³ We selected the external stakeholders based on their knowledge of diversity and referrals from those we interviewed. In addition, we interviewed 10 board directors and one bank president, who each represent their FHLBank on a system-wide task force on board diversity (the Bank Presidents Conference Board Diversity Task Force). We also selected the board chairs of six FHLBanks (Atlanta, Boston, Des Moines, Pittsburgh, San Francisco, and Topeka) to conduct a more in-depth review. We selected these banks to achieve variation in board diversity composition (share of women and minority directors), asset size, and geographic locations. Appendix I contains a more detailed description of our scope and methodology.

We conducted this performance audit from July 2018 to February 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

¹²GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014).

¹³The stakeholders we interviewed included three academics from the Columbia Business School (Columbia University), Loyola University Chicago School of Law (Loyola University Chicago), and the Ross School of Business (University of Michigan), as well as representatives from four organizations—Catalyst, Executive Leadership Council, Hispanic Association on Corporate Responsibility, and Leadership Education for Asian Pacifics.

Background

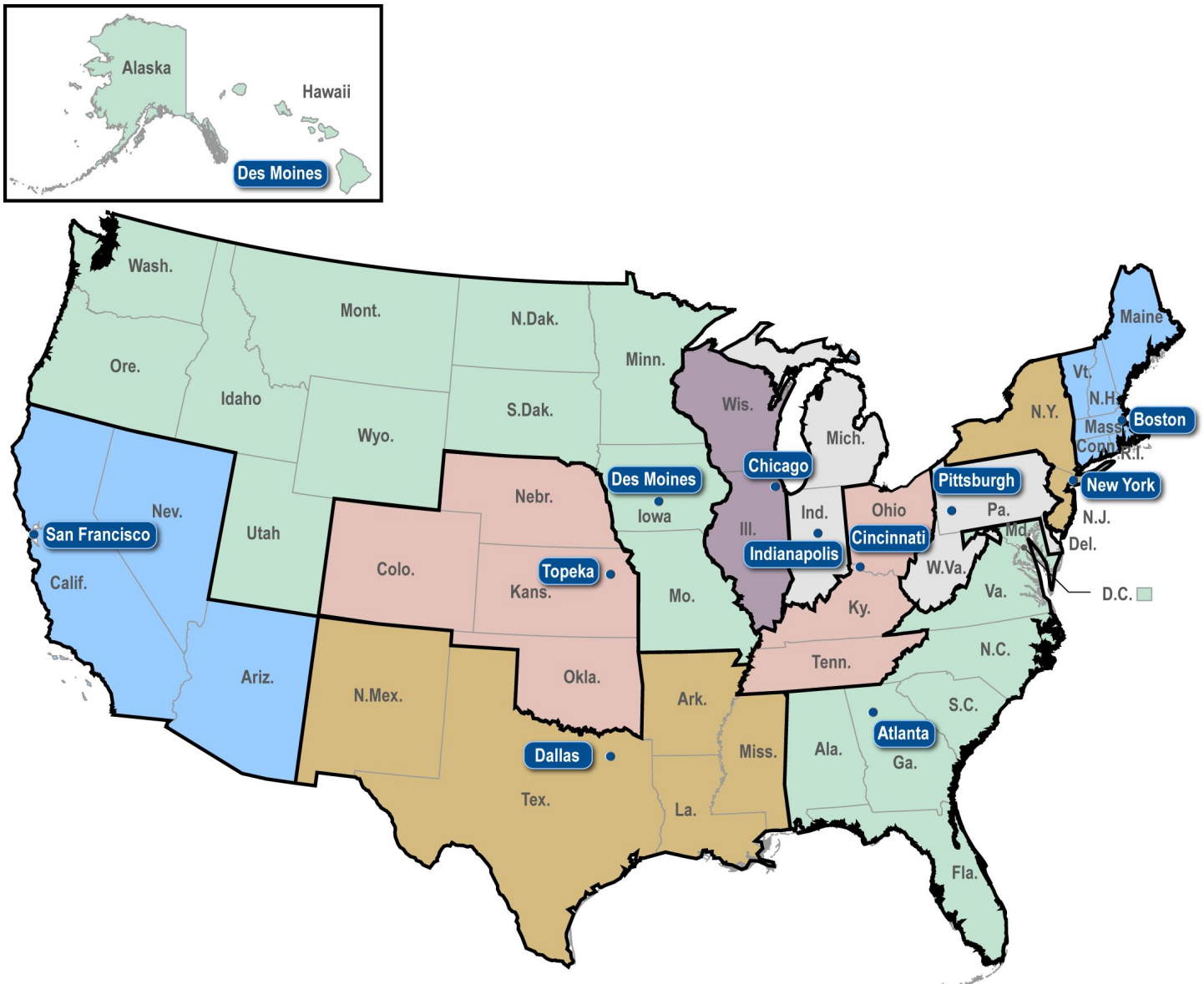
Overview of the FHLBanks

The FHLBank System comprises 11 federally chartered banks.¹⁴ The FHLBanks represent 11 districts and are headquartered in Atlanta, Boston, Chicago, Cincinnati, Dallas, Des Moines, Indianapolis, New York City, Pittsburgh, San Francisco, and Topeka (see fig. 1).¹⁵ Each FHLBank is cooperatively owned by its members—such as commercial and community banks, thrifts, credit unions, and insurance companies.

¹⁴The FHLBank System also includes the Office of Finance—the fiscal agent for the 11 banks. The board of the Office of Finance (the president of each FHLBank and five external directors) is not within the scope of this report.

¹⁵Before the 2015 merger of the Seattle and Des Moines FHLBanks, 12 FHLBanks represented 12 districts.

Figure 1: Federal Home Loan Bank Districts, 2018



Source: Federal Housing Finance Agency data and information; MapInfo (map). | GAO-19-252

Note: The district for the Federal Home Loan Bank of New York also includes Puerto Rico and the U.S. Virgin Islands, and the district for the Federal Home Loan Bank of Des Moines includes American Samoa, Guam, and the Northern Mariana Islands.

As of December 31, 2017, the number of member institutions in each district varied widely, as did the total amount of assets each FHLBank held (see table 1).

Table 1: Federal Home Loan Banks Asset Size and Member Institutions, as of December 31, 2017

Federal Home Loan Bank	Amount of assets (in billions of dollars)	Number of member institutions
Atlanta	146.6	866
Boston	60.4	443
Chicago	84.4	720
Cincinnati	106.9	660
Dallas	68.5	821
Des Moines	145.1	1,404
Indianapolis	62.3	382
New York	158.9	330
Pittsburgh	99.7	298
San Francisco	123.4	328
Topeka	48.1	738
Total	1,104	6,990

Sources: Federal Housing Finance Agency and Federal Home Loan Banks. | GAO-19-252

FHLBank Board of Directors

Each FHLBank has a board of directors made up of member directors and independent directors. As shown in figure 2, the Federal Home Loan Bank Act (as amended by HERA) and its regulations set forth a number of requirements for FHLBank board directors.¹⁶

¹⁶12 U.S.C. § 1427; 12 C.F.R. Pt 1261.

Figure 2: Statutory Requirements for Board Directors of Federal Home Loan Banks (FHLBank), by Director Type

	Member directors	Independent directors	Public interest directors (a subset of independent directors)
Position requirement and share on the board	<ul style="list-style-type: none"> • Must be officers or directors of member institutions in the state they represent.^a • Majority of the directorships, but no more than 60 percent. 	<ul style="list-style-type: none"> • Cannot be affiliated with member institutions or recipients of loans (advances) from FHLBanks. • At least 40 percent but less than 50 percent of the board. 	At least two of the independent directors must be designated by the FHLBank board as public interest directors.
Skill requirements	<ul style="list-style-type: none"> • No skill requirements specified. 	<ul style="list-style-type: none"> • Independent directors (other than public interest directors) must have knowledge of or experience in one or more areas, including financial management, auditing and accounting, risk management, derivatives, project development, or organizational management.^b 	Public interest directors must have more than 4 years of experience representing consumer or community interests on banking services, credit needs, housing, or consumer financial protections.
Nominations and elections	<ul style="list-style-type: none"> • Nominated by the candidates' own member institutions or by other member institutions. • Voted on by the member institutions from the state they represent.^c 	<ul style="list-style-type: none"> • Nominated by FHLBank boards. • Nominee(s) must apply for the director position. • Voted on by the FHLBank member institutions.^d 	
Term length	4-year terms, with a general overall term limit of three consecutive full terms, equivalent to 12 years.		

Source: Federal Home Loan Bank Act (as amended by Housing and Economic Recovery Act of 2008) and their regulations. | GAO-19-252

^a12 U.S.C. § 1427.

^bThe Housing and Economic Recovery Act of 2008 also authorized the Director of the Federal Housing Finance Agency (FHFA), which is the regulator of the FHLBanks, to designate additional skill requirements, and FHFA has added law as an eligible skill. 12 C.F.R. § 1261.7(e).

^cFor purposes of voting on member directors, FHFA regulation treats votes of member banks in the U.S. Virgin Islands as if they were votes from member banks in Puerto Rico. Votes from member banks in American Samoa, Guam, and the Northern Mariana Islands are treated as votes from Hawaii. See 12 C.F.R. §1261.2.

^dAny independent director nominee who runs unopposed in an election must receive at least 20 percent of the votes eligible to be cast.

As of October 2018, each FHLBank board had 14–24 directors, for a total of 194 directors (see table 2). Of the 194, 108 were member directors and 86 were independent directors, including 24 public interest directors.

Table 2: Number of Directors on Federal Home Loan Bank Boards, by Director Type, as of October 2018

Federal Home Loan Bank	All directors	Member directors	Independent directors	Public interest directors (subset of independent directors)
Atlanta	14	8	6	2
Boston	17	9	8	2
Chicago	18	10	8	2
Cincinnati	18	10	8	2
Dallas	17	9	8	2
Des Moines	24	14	10	3
Indianapolis	17	9	8	2
New York	19	11	8	2
Pittsburgh	17	10	7	3
San Francisco	15	8	7	2
Topeka	18	10	8	2
Total	194	108	86	24

Source: GAO analysis of Federal Home Loan Bank data. | GAO-19-252

Each board elects a chair and vice chair who serve 2-year terms. As of October 2018, of the 11 board chairs, six were member directors and five were independent directors, including two public interest directors (see table 3). Each FHLBank has a president who reports to the bank’s board of directors, but no representatives from bank management may serve on the boards.

Table 3: Chairs and Vice Chairs of Federal Home Loan Bank Boards, by Director Type, as of October 2018

Federal Home Loan Bank	Chair	Vice Chair
Atlanta	Independent (public interest)	Member
Boston	Independent	Member
Chicago	Member	Member
Cincinnati	Independent	Member
Dallas	Member	Member
Des Moines	Member	Independent
Indianapolis	Member	Member
New York	Member	Independent
Pittsburgh	Independent (public interest)	Member
San Francisco	Independent	Member

Federal Home Loan Bank	Chair	Vice Chair
Topeka	Member	Independent

Source: GAO analysis of Federal Home Loan Bank data. | GAO-19-252

FHFA's Diversity-Related Requirements and Oversight of FHLBanks

To implement requirements in HERA, in December 2010 FHFA issued the Minority and Women Inclusion rule to set forth minimum requirements for FHLBank diversity programs and reporting.¹⁷ Among other things, the 2010 rule required each bank to create its own Office of Minority and Women Inclusion (OMWI) or designate an office to perform duties related to the bank's diversity efforts, and establish policies related to diversity and inclusion, including policies on nominating board directors. The 2010 rule also requires FHLBanks to submit an annual report to FHFA on their diversity efforts.

FHFA also evaluates the quality of corporate governance by board directors as part of its on-site annual examinations and off-site monitoring of FHLBanks.¹⁸ For example, FHFA's examination includes reviewing the bank boards' responsibilities, board and committee meeting minutes, and the boards' oversight of the banks' operations and corporate culture.

Our Previous Work on Diversity

Our previous work on diversity includes reports on Federal Reserve Banks' board diversity, FHLBank board governance, women on corporate boards, and diversity in the financial services sector. In 2011, we found limited diversity among the boards of the 12 Federal Reserve Banks.¹⁹ We recommended that the Board of Governors of the Federal Reserve

¹⁷Minority and Women Inclusion, 75 Fed. Reg. 81395 (Dec. 28, 2010). The rule became effective in January 2011.

¹⁸Section 20 of the Federal Home Loan Bank Act (12 U.S.C. § 1440) requires each FHLBank to be examined at least annually.

¹⁹See GAO, *Federal Reserve Bank Governance: Opportunities Exist to Broaden Director Recruitment Efforts and Increase Transparency*, [GAO-12-18](#) (Washington, D.C.: Oct. 19, 2011). The Federal Reserve System includes 12 Reserve Banks, which are federally chartered corporations. Each Reserve Bank board includes three directors who represent commercial banks that are members of the Federal Reserve System and six directors who represent the public.

System encourage all Reserve Banks to consider ways to help enhance the economic and demographic diversity of perspectives on boards, including by broadening potential candidate pools. The recommendation was implemented in December 2011.²⁰

In a 2015 report on FHLBank board governance, we found that FHFA and FHLBanks had taken steps to increase board diversity, including creating regulations that encouraged the banks to consider diversity in board candidate selection and developing processes to identify and nominate independent directors.²¹ In a 2015 report on women on corporate boards, we found that while the share of women on boards of U.S. publicly traded companies had increased, reaching complete gender balance could take many years.²² We identified factors that might hinder women's increased representation on boards, including boards not prioritizing recruiting diverse candidates and low turnover of board seats. In addition, in 2017 we reported that representation of women and minorities at the management level in the financial services sector showed marginal or no increase during 2007–2015.²³

FHFA Has Taken Steps Since 2015 to Encourage Board Diversity at FHLBanks

Since our 2015 report on FHLBank board governance, FHFA has taken additional actions to encourage diversity on FHLBank boards, including adding a requirement for the banks to report board demographics, clarifying expectations for board elections outreach, requesting the creation of a system-wide board diversity task force, and allowing some banks to add an independent director.

²⁰The Federal Reserve System implemented this recommendation in December 2011 with a memorandum to all Reserve Bank presidents encouraging consideration of potential candidates who hold positions below the senior executive level in their organizations. Additionally, an annual letter to Reserve Bank leadership emphasized the Board's focus on increasing director diversity.

²¹[GAO-15-435](#).

²²[GAO-16-30](#).

²³GAO, *Financial Services Industry: Trends in Management Representation of Minorities and Women and Diversity Practices, 2007–2015*, [GAO-18-64](#) (Washington, D.C.: Nov. 8, 2017).

FHFA has a limited role in overseeing FHLBanks' board diversity, according to FHFA staff, because that is not part of the agency's statutory responsibilities. While FHFA reviews the list of independent director nominees for FHLBank boards to ensure that the nominees meet all eligibility and qualification requirements, board directors are not FHLBank employees. Rather, they form the oversight body of each bank. In contrast, FHFA has a larger role in monitoring diversity efforts related to the workforce and suppliers of the banks.²⁴ For example, the agency's annual examination manual contains a section that covers such efforts.

FHFA oversight of diversity efforts also includes reviewing the FHLBanks' annual reports on diversity efforts, which the banks are required to submit under HERA.²⁵ In adopting its Minority and Women Inclusion rule of 2010 to implement this requirement, FHFA stated that it would analyze and include information from the banks' annual reports in the agency's own annual report to Congress.²⁶ The banks' annual reports initially included data related to their workforce and supplier diversity efforts.

In May 2015, FHFA amended the 2010 rule and added two reporting requirements for the annual reports: (1) data on gender and race/ethnicity of board directors (which the directors would voluntarily self-report), and (2) information on the banks' outreach efforts (such as to promote diversity when nominating and soliciting director candidates).²⁷ FHFA stated in its 2015 amendments that it intended to use the director data to analyze future trends in board diversity and the effectiveness of each bank's policies and procedures to encourage board diversity.

FHFA also clarified expectations on FHLBank diversity efforts in a 2016 amendment to its regulation related to bank board directors as well as in guidance and communications to FHLBanks.

²⁴We also have been conducting a second review on FHLBank diversity and inclusion efforts, related to workforce and suppliers, and a report will be forthcoming in 2019.

²⁵Pub. L. No. 111-289, § 1116(4), 122 Stat. 2654, 2682 (2008) (codified at 12 U.S.C. § 4520(d)). Starting in 2012, each FHLBank has submitted an annual report to FHFA describing its diversity efforts.

²⁶Minority and Women Inclusion, 75 Fed. Reg. 81395 (Dec. 28, 2010). The rule became effective in January 2011. FHFA's annual reports to Congress include examination findings on the FHLBanks and information on compensation and expenses of FHLBank boards.

²⁷Minority and Women Inclusion Amendments, 80 Fed. Reg. 25209 (May 4, 2015). The rule became effective on July 6, 2015.

- **Clarifying scope of election outreach activities.** According to FHFA staff, FHLBanks had inquired if the existing regulation would prohibit the banks from conducting outreach to or recruiting of diverse board candidates in the nomination or solicitation process. FHFA regulation restricts FHLBanks from advocating for a particular member director candidate or influencing the board election for member and independent directors. According to FHFA staff, to address these concerns, the agency amended the regulation in 2016 to clarify that the banks may conduct outreach to find diverse board director candidates.²⁸ FHFA staff added that the regulation amendment also made clear that the banks may fulfill the regulatory requirement to encourage consideration of diversity in nominating or soliciting candidates for board director positions without violating restrictions on advocating for particular director candidates.
- **Guidance.** FHFA provided FHLBanks with guidance related to diversity, including board diversity. For example, the agency provided guidance on the roles and duties of the banks' OMWI officers and the scope of diversity regulations. FHFA provided the banks a template to report newly required data on the gender and race/ethnicity of board directors. To help banks prepare their annual reports, in June 2018 FHFA also developed an annual report template that outlines and describes the contents of the required reporting elements. The template includes sections for individual FHLBanks to present data on board composition by diversity categories and to describe past and future outreach activities and strategies to promote board diversity and outcomes from the bank's activities.
- **Communications.** FHFA has communicated guidance and discussed board diversity issues with FHLBank boards and with staff involved in the banks' board diversity efforts. For example, FHFA staff gave presentations at meetings during which FHLBank board directors shared information on board diversity efforts. The staff noted FHFA's OMWI director generally attends the semi-annual conferences of the banks' OMWI officers, during which she discusses diversity issues such as the roles and responsibilities of these officers and the scope of the FHFA regulations.

²⁸12 C.F.R. § 1261.9(c). The provision was further amended in August 2018 to correct the cross-reference providing the permissible activities. Repeal of Federal Housing Finance Board Regulations; Technical Amendments to FHFA Regulations, 83 Fed. Reg. 39323, 39324 (Aug. 9, 2018).

Furthermore, FHFA OMWI and other offices developed and implemented some strategies to help FHLBanks maintain or increase board diversity. In 2016, FHFA OMWI staff met with FHLBanks and requested that the banks create a Bank Presidents Conference Board Diversity Task Force to share practices to promote board diversity. The staff said that they act as facilitators and informal advisors and may provide technical assistance to the system-wide task force—for example, by developing a list of practices related to board diversity. Also, as encouraged by FHFA, starting in 2017, each bank has a representative (a board director or the bank president) on the task force.

Also, based on FHFA's 2016 annual FHLBank board analysis, the FHFA Director approved requests from three FHLBanks to add an independent director seat for their 2017 boards to help maintain or increase board diversity.²⁹ FHFA extended the offer to the other banks (except Des Moines, as its board was undergoing restructuring after the merger with Seattle). FHFA staff said in preparation for their 2017 FHLBank board analysis, they informally monitored the gender and minority status of the additional independent director seats filled by the seven banks that accepted the offer.³⁰ Six of the seats were filled by women (of whom two were minorities) and one seat was filled by a minority male, according to FHFA staff. FHFA staff also told us the FHFA Director has some discretion on the number of director seats based on an individual bank's circumstances, including the request to maintain diversity. For example, in 2018, one FHLBank requested to retain its female board vice chair to help preserve diversity and institutional knowledge on its board. FHFA granted the bank's request to keep the director for another year.

FHFA staff told us that FHFA has considered issuing guidance in two areas, but that these areas do not represent immediate priorities for their diversity efforts. Specifically, FHFA OMWI staff stated that the office intended to develop an examination module on board diversity, but this is

²⁹For each FHLBank board, the Director of FHFA annually establishes the total number of member and independent directors and allocation of member directors among the states in the FHLBank's district. FHFA's Division of Bank Regulation and Office of General Counsel prepare an annual analysis of the FHLBanks' boards. This annual board analysis recommends to the FHFA Director an appropriate size and composition for each FHLBank's board for the following year.

³⁰Three FHLBanks declined the offer to add an independent director to their boards. According to the directors with whom we spoke (from each of the three banks), their banks did not need the additional director seat because they believed their boards were already diverse or diversity was not the only factor to consider for adding a board seat.

not the office's high priority for 2019. As previously noted, FHFA's current examination manual includes a section that covers FHLBanks' workforce and supplier diversity efforts. But, the manual does not consider board diversity-related issues in as much detail as the supplier and workforce section. For example, it covers FHFA's review of the quality of corporate governance by board directors and mentions the consideration of diversity for potential board director candidates. Also, the 2015 rule amendments noted that the agency intended to develop guidance to further elaborate on its expectations related to outreach activities and strategies for the banks' board directors. FHFA staff told us that they would like to focus on ongoing diversity efforts and gather more information before starting new efforts.

FHLBank Boards Increased Share of Female Directors Since 2015, but Trends for Minority Directors Were Less Clear

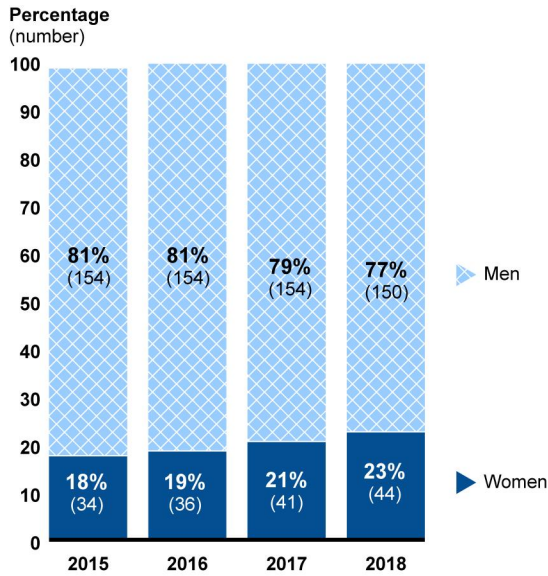
Share of Female Board Directors Increased from 2015 to October 2018, and Varied by FHLBank

At the overall FHLBank board level, the share of female directors increased from 18 percent (34 directors) in 2015 to 23 percent (44 directors) in October 2018 (see fig. 3).³¹ This represented a continuation of an upward trend. For example, we previously reported a 16 percent share (31 female directors) in 2014.³²

³¹For gender of the board directors, we obtained data from the FHLBanks' 2015–2017 annual reports. For directors who did not self-identify their gender in the annual reports, we obtained additional data from the banks' SEC Form 10-Ks that contained board director information for 2015–2018. For example, in the Form 10-Ks, we counted directors who were referred to as "Mr." as male, and directors who were referred to as "Ms." as female.

³²[GAO-15-435](#). The 2015 report analyzed data from GAO-administered surveys of all board directors of 12 FHLBanks. As previously noted, FHLBank of Seattle merged with FHLBank of Des Moines in 2015.

Figure 3: Share and Number of Women and Men on Federal Home Loan Bank Boards, Calendar Years 2015 to October 2018

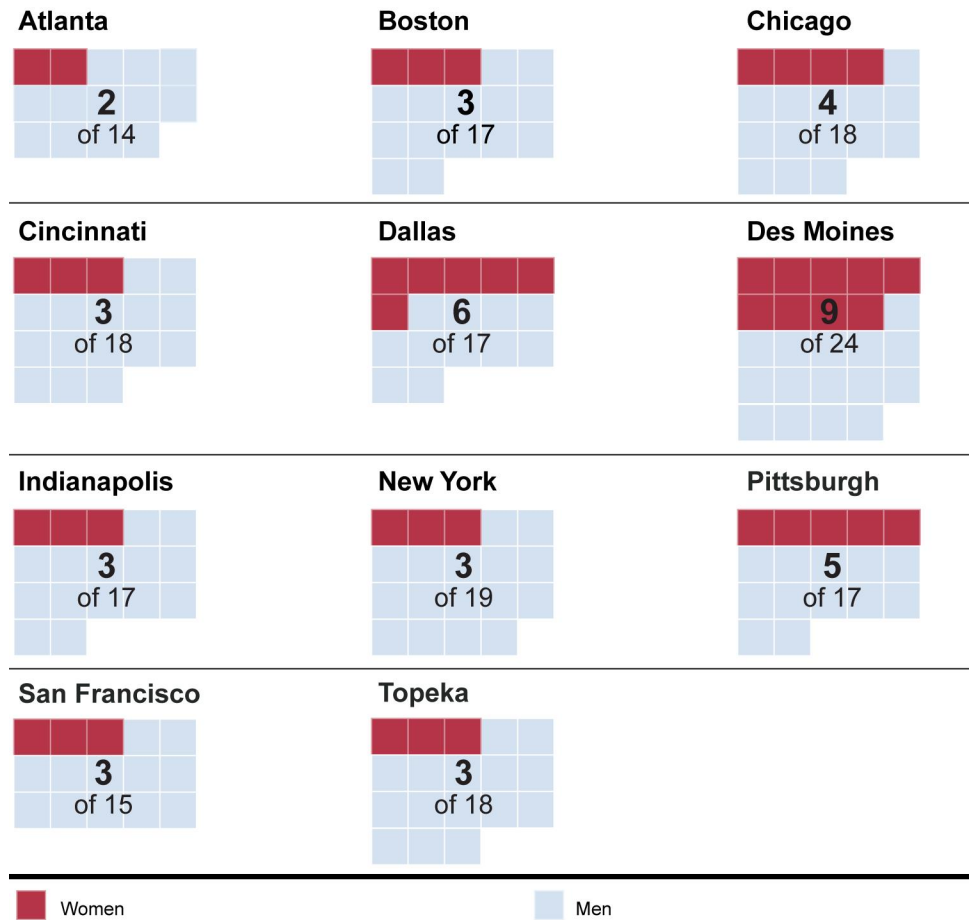


Source: GAO analysis of Federal Home Loan Bank and Securities and Exchange Commission data. | GAO-19-252

Note: Percentages may not sum to 100 due to rounding.

Each FHLBank had at least two female board directors in October 2018, but some boards had higher shares of female directors than others. As shown in figure 4, four banks—Chicago, Des Moines, Dallas, and Pittsburgh—had four or more female board directors (representing 22–38 percent of the boards). In comparison, seven banks had two or three female directors (representing 14–20 percent). Additionally, FHLBanks varied in how many female directors were added from 2015 to October 2018—one bank added two, six each added one, and four added none. For additional information on the number of board directors by bank and by gender from 2015 to October 2018, see appendix II.

Figure 4: Number of Women and Men on Federal Home Loan Bank Boards, as of October 2018



Source: GAO analysis of Federal Home Loan Bank and Securities and Exchange Commission data. | GAO-19-252

Women have some representation in board leadership positions. In October 2018, two FHLBanks—Des Moines and Pittsburgh—had female vice chairs of their respective board. Another bank (San Francisco) had a female vice chair of its board in 2016 and 2017. In 2015, we reported that one bank (Atlanta) had a female board chair. Additionally, each bank’s board has committees (such as the Audit Committee and the Risk Management Committee) with committee chairs and vice chairs.³³ Ten of

³³FHFA regulation requires each FHLBank board to have at least three committees addressing audit, risk management, compensation, and corporate governance, and the audit and risk management committees cannot be combined with other committees. However, the number and names of the board committees vary by bank. The FHLBanks of Cincinnati and Topeka have board committee chairs, but do not have vice chairs.

the 11 banks had board committees with at least one female chair or vice chair in October 2018.³⁴ The share of women who chaired board committees was the same as the share of women on the overall FHLBanks boards in October 2018—23 percent.

We compared female representation on FHLBank boards to that of other corporate boards and that of senior management in the financial services sector. Women constituted 23 percent of FHLBank boards in October 2018 and 22 percent of boards of the companies in the Standard and Poor's 500 in 2017, as reported by Institutional Shareholder Services.³⁵ Our analysis of the most recently available EEOC data found that the share of women in senior management positions in the financial services industry in 2016 was 29 percent.³⁶ The share of women on FHLBank boards was 19 percent in the same year. Senior management in the financial services sector represents a pool of comparable candidates that could provide directors for FHLBank boards.

FHLBank Data Showed the Share of Minority Directors Increased Since 2015, but Data Are Incomplete

The share of directors who self-identified as racial/ethnic minorities increased from 2015 to 2017, but the size of the increase is unclear due to the number of directors who did not report this information. Board directors voluntarily submit demographic information, including race/ethnicity. Some directors might have chosen not to self-identify their race/ethnicity.

³⁴We separately requested information on the chairs and vice chairs of the committees of the FHLBank boards for 2018 and derived their gender based on information reported in the banks' Form 10-Ks.

³⁵Institutional Shareholder Services, *U.S. Board Study: Board Diversity Review* (Apr. 11, 2018). Institutional Shareholder Services provides corporate governance research and recommendations within the financial services industry. The Standard and Poor's 500 is an index of 500 U.S. company stocks from various industries that meet certain criteria for inclusion in the index, such as a minimum market capitalization.

³⁶The most recently available EEOC data were from 2016.

Reported Data Showed Increases in Minority Directors

At the overall FHLBank board level, the share of directors who self-identified as racial/ethnic minorities increased from 2015 to 2017 (see fig. 5).³⁷

- Eleven percent (20 directors) of FHLBank board directors self-identified as racial/ethnic minorities in 2015 and 15 percent (30 directors) in 2017.
- Four percent (7 directors) did not self-identify in 2015 and 8 percent (15 directors) in 2017.³⁸

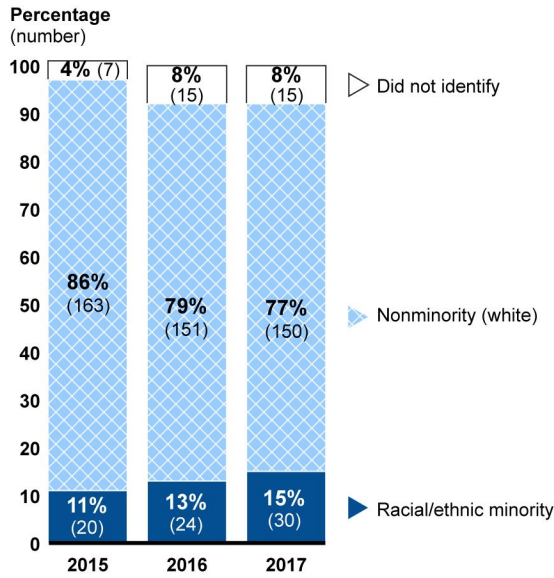
The increase in the number of directors who identified as racial/ethnic minorities shows an upward trend from 10 percent (19 directors) in 2014, as we reported in 2015.³⁹

³⁷For racial/ethnic minority data, the most recently available data were from the FHLBanks' 2017 annual reports. While we were able to derive 2018 data for director gender based on information in the banks' Form 10-Ks, the forms do not include information on director race/ethnicity.

³⁸If the "did not identify" were all racial/ethnic minorities, the percentage of minority directors would have been 15 percent in 2015. In contrast, if the "did not identify" were all nonminority (white), the percentage of racial/ethnic minority directors would have been 11 percent in 2015. Similarly, if the "did not identify" were all racial/ethnic minorities, the percentage of minority directors would have been 23 percent in 2017. In contrast, if the "did not identify" were all nonminority (white), the percentage of racial/ethnic minority directors would have been 15 percent in 2017.

³⁹[GAO-15-435](#).

Figure 5: Share and Number of Minority and Nonminority Directors on Federal Home Loan Bank Boards, Calendar Years 2015–2017

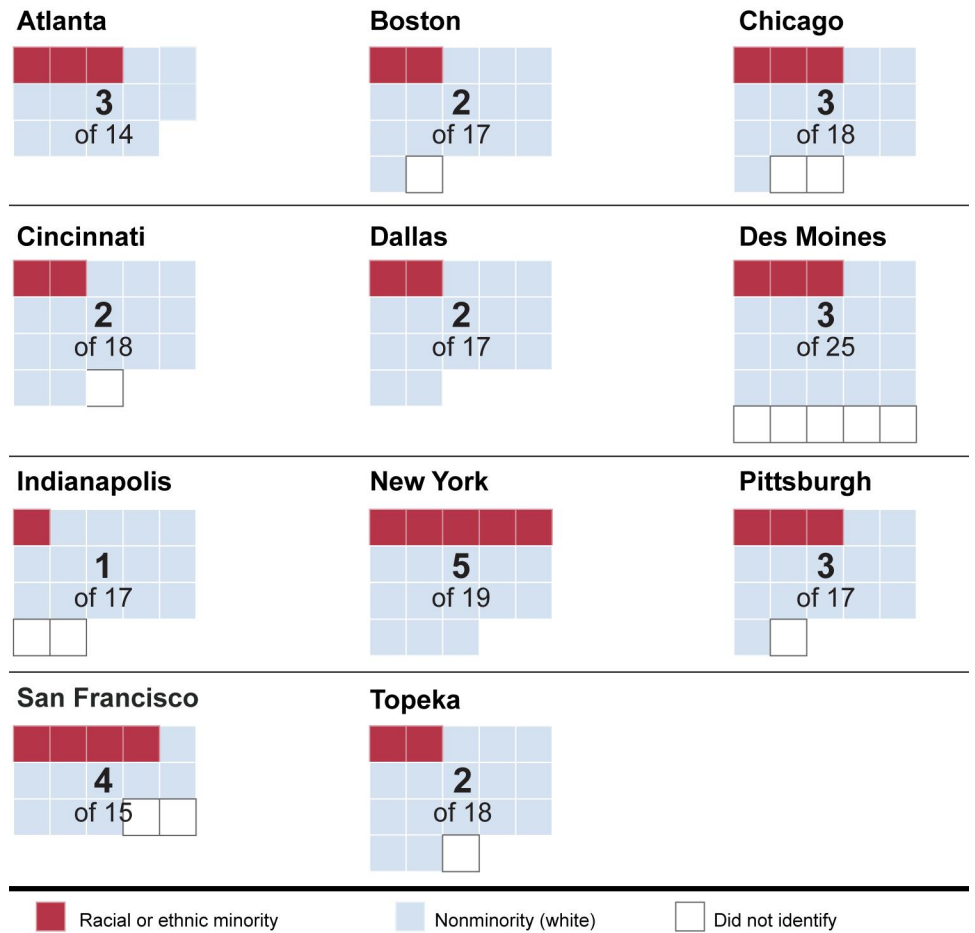


Source: GAO analysis of Federal Home Loan Bank data. | GAO-19-252

Note: Board directors voluntarily reported their race/ethnicity. The “did not identify” category might have included directors who chose not to identify their race/ethnicity or those who did not respond to the board demographic data form. Percentages may not sum to 100 due to rounding.

The number of directors who self-identified as racial/ethnic minorities varied by bank. As shown in figure 6, all 11 FHLBanks had at least one minority director on the board in 2017, and six banks had three or more minority directors. Ten of the 11 banks each added one minority director during 2015–2017. For additional information on the number of board directors by bank and by race/ethnicity in 2015–2017, see appendix II.

Figure 6: Number of Racial/Ethnic Minority Directors on Federal Home Loan Bank Boards, as of December 31, 2017



Source: GAO analysis of Federal Home Loan Bank data. | GAO-19-252

Note: Board directors voluntarily reported their race/ethnicity. The “did not identify” category might have included directors who chose not to identify their race/ethnicity or those who did not respond to the questions on board demographic data.

More specifically, as seen in table 4, in 2017, 9 percent (18 directors) identified as African-American, 4 percent (8 directors) identified as

Hispanic, 2 percent (3 directors) identified as Asian, and 1 percent (1 director) identified as “other.”⁴⁰

Table 4: Number and Share of Minorities on Boards of Federal Home Loan Banks, by Race and Ethnicity, as of December 31, 2017

Category	Number	Percentage
Nonminority (white)	150	77
All racial/ethnic minorities	30	15 ^a
All racial/ethnic minorities: African-American	18	9 ^a
All racial/ethnic minorities: Hispanic	8	4 ^a
All racial/ethnic minorities: Asian	3	2 ^a
All racial/ethnic minorities: Other	1	1 ^a
Did not identify	15	8
Total	195	100

Source: GAO analysis of Federal Home Loan Bank and Equal Employment Opportunity Commission data. | GAO-19-252

Notes: We adapted the race/ethnicity categories used in the Equal Employment Opportunity Commission’s Employer Information Report (EEO-1 report), which are Hispanic or Latino, White, Black or African-American, Native Hawaiian or Other Pacific Islander, Asian, Native American or Alaska Native, and Two or More Races. The Hispanic or Latino category in EEO-1 includes Hispanics or Latinos of all races. In this report, we only included non-Hispanic members under the White, African-American, Asian, and “Other” categories. We included Asian American and Native Hawaiian or Pacific Islander under Asian. We included Native American or Alaskan Native and Two or More Races under “Other.” Board directors voluntarily report their race/ethnicity. The “did not identify” category might have included directors who chose not to identify their race/ethnicity or those who did not respond to the board demographic data form.

^aThe individual racial/ethnic minority percentages do not total to 15 percent due to rounding.

Racial/ethnic minorities have limited representation in board leadership positions. As of October 2018, one FHLBank had a vice chair of its board

⁴⁰We adapted the race/ethnicity categories used in EEOC’s EEO-1 report, which are Hispanic or Latino, White, Black or African-American, Native Hawaiian or Other Pacific Islander, Asian, Native American or Alaska Native, and Two or More Races. The EEO-1 category of Hispanic or Latino includes Hispanics or Latinos of all races. For this report, we used the following categories: Hispanic, White, African-American, Asian, and “Other.” We included only non-Hispanic members under our White, African-American, Asian, and “Other” categories. Under Asian, we included Asian American and Native Hawaiian or Pacific Islander. Under “Other,” we included Native American or Alaskan Native and Two or More Races.

who identified as a minority.⁴¹ In 2017, another bank had one vice chair of its board who identified as a minority.

We compared the FHLBank boards' share of racial/ethnic minorities to those of corporate boards and senior management in the financial services sector. In 2017, 15 percent of the FHLBank board directors identified as racial/ethnic minorities, as previously noted. This compares to 14 percent on boards of directors of companies in the Standard and Poor's 500 in 2017, according to Institutional Shareholder Services, and 12 percent in senior management of the financial services industry in 2016, based on our analysis of EEOC data.⁴² In 2016, the share of minority directors on FHLBank boards was 13 percent.

Varying Collection Processes May Contribute to Data Gaps

Board demographic data collection processes vary by FHLBank, which may contribute to the differences in the number of directors who did not self-identify their gender, race/ethnicity, or both.⁴³ FHFA has not reviewed the banks' varying processes to determine whether some processes were more effective, such as whether the practices allowed banks to more effectively identify and follow up with directors who may have forgotten to respond. All directors at three banks self-reported their gender and race/ethnicity in 2015–2017, but some directors at the other eight banks did not self-identify this information. However, we could not determine whether those directors deliberately chose not to self-report this information or inadvertently did not respond to the data collection forms or questions.

As allowed by FHFA regulation, FHLBanks varied in the data collection forms they used, questions they asked, and methods they used to

⁴¹We separately requested race/ethnicity data that were self-identified by the board chairs and vice chairs for 2018. We also separately requested the names of the chairs and vice chairs of the committees of the FHLBank boards for 2018. While the banks' Form 10-Ks enabled us to derive gender information for the chairs and vice chairs of the board as well as the chairs and vice chairs of board committees, they did not include information on the board directors' race/ethnicity.

⁴²Institutional Shareholder Services, *U.S. Board Study: Board Diversity Review*. The most recently available EEOC data were from 2016.

⁴³As previously discussed, we obtained additional data from the FHLBanks' Form 10-Ks to obtain information on the gender of the directors who did not self-identify their gender for the annual reports.

distribute forms to board directors to obtain self-reported gender and race/ethnicity information.⁴⁴ For example, the three banks with complete data from all directors each used different data collection forms. One bank collected gender and race/ethnicity as a voluntary section of its annual board director skills assessment, which was filled out by each director. Two banks distributed a separate data collection form at a board director meeting or through an online survey, which might have included a mechanism for tracking which directors had not responded to the survey. The other eight banks, which had incomplete demographic data, also used varying data collection processes. Of these, four banks distributed their data collection forms during a board meeting or through an e-mail, and the other four banks used online surveys. Of the 11 banks, six included an option on their forms to mark “opt not to self-identify,” while five included similar language as part of the form indicating that completing the form is voluntary. Although some banks had similar approaches to data collection, such as using an online survey, it is unclear whether certain approaches helped some banks to obtain more complete data despite directors’ right to opt out of self-reporting demographic information.

FHFA has implemented some efforts on improving the quality of the data FHLBanks report to the agency, but FHFA staff told us that such efforts have not included a review of how the banks collect board director demographic data. For example, FHFA created templates to help banks report board data and board-related content, and its data reporting manual focused on reporting data related to the banks’ workforce, supplier base, and financial transactions. However, none of these documents discussed processes for collecting board director demographic data. According to FHLBank staff, FHFA’s instructions on board director data collection are limited to what is stated in the regulation. That is, banks should collect data on their board directors’ gender and race/ethnicity using EEOC categories, and such data should be voluntarily provided by the directors without personally identifiable information.

FHFA’s 2015 regulation amendments require FHLBanks to compare the board demographic data with prior year’s data and provide a narrative of the analysis. FHFA also stated in the amendments that it intended to use

⁴⁴Two FHLBanks also collect disability status and three FHLBanks collect veteran status of the board directors.

the director data to establish a baseline to analyze future trends of board diversity. Additionally, federal internal control standards state that agency management should use quality information to achieve their objectives.⁴⁵ Quality information would include complete and accurate information that management can use to make informed decisions in achieving key objectives. By obtaining a better understanding of the different processes FHLBanks use to collect board demographic data, FHFA and the banks could better determine which processes or practices could contribute to more complete data. For example, there may be practices that could help banks more effectively follow up with directors who might have missed the data collection forms or questions. More complete board demographic data could help FHFA and the banks more effectively analyze data trends over time and demonstrate the banks' efforts to maintain or increase board diversity.

FHLBanks Report Some Challenges, but Have Taken Steps to Increase Their Board Diversity

FHLBanks report some challenges that may slow or limit their efforts to increase board diversity, which include low levels of diversity in the financial sector; member institutions not prioritizing diversity; balancing the need for diversity with retaining institutional knowledge; and competition for women and minority candidates. Despite these challenges, the banks have taken several steps to help increase board diversity.

FHLBank Boards Report Some Ongoing Challenges in Their Efforts to Increase Diversity, Especially among Member Directors

According to FHLBank representatives, including board directors, the FHLBank boards face challenges that may slow or limit their efforts to increase diversity, including the following:

Low levels of diversity in the financial sector. Twelve representatives from nine FHLBanks told us that the pool of eligible women and minority board candidates is small in the banking and financial sector. For

⁴⁵[GAO-14-704G](#).

example, five representatives emphasized that the majority of member institutions have chief executive officers (CEO) who are white males. In particular, one director told us that out of the hundreds of member institutions affiliated with his FHLBank, he knew of only six female CEOs. Directors representing five banks also noted that the pool of eligible, diverse candidates in senior management positions in the financial services sector can be even smaller in certain geographic areas. As a result, it can be particularly challenging for some banks to fill member director seats because, by statute, candidates for a given FHLBank board must come from member institutions in the geographic area that the board seat represents. For example, one director said that the pool of such candidates is especially small in rural areas. In 2015, FHFA told us that the overall low levels of diversity in the financial services sector, including at FHLBank member institutions, increased the challenges for improving board diversity.⁴⁶

However, representatives of corporate governance organizations with whom we spoke told us that the financial services sector does not face unique challenges. Representatives also said that qualified women and minority candidates are present in the marketplace. Our analysis of 2016 EEOC data found that the representation of women in senior management in the financial services sector was within 1 percentage point of the share of women in senior management in the private sector overall, and minority representation was within 4 percentage points.

Member institutions may not always prioritize diversity in director elections. As previously discussed, member institutions nominate member director candidates and vote for the member director and independent director candidates. Ten representatives from eight FHLBanks stated that member institutions may prioritize other considerations over diversity when they nominate and vote on board candidates, such as name recognition or a preference for candidates who are CEOs. One director told us that the member banks may not be as interested in diversity as the FHLBanks. Another director emphasized that FHLBanks are trying to change attitudes and embed diversity in the member institutions' operations. He characterized this process as a marathon, not a sprint.

⁴⁶[GAO-15-435](#).

Board directors with whom we spoke also stressed that FHFA regulations do not allow the FHLBank boards to exert influence over how member institutions vote. Board directors can emphasize the importance of diversity to member institutions but cannot in their official capacity campaign for specific candidates.

Balancing the need for diversity with retaining institutional knowledge. Directors from five banks told us that they aim to balance bringing in new women or minority directors with retaining the valuable institutional knowledge of incumbent directors. One director added that new board directors face a steep learning curve. Thus, the directors at some banks will recruit new directors only after allowing incumbent directors to reach their maximum number of terms (which could translate to several years).⁴⁷ As we reported in 2015, FHFA staff acknowledged that low turnover, term lengths, and the need to balance diversity with required skills posed challenges to the FHLBank board diversity.⁴⁸ In our 2016 report on women on corporate boards, relevant stakeholders acknowledged this as a challenge because directors with longer tenure possess knowledge about a company that newer directors cannot be expected to possess.⁴⁹

Competition for women and minority candidates. Board directors from five FHLBanks told us that they face competition as they seek to recruit women and minority candidates. For example, a director from one bank told us that his board encouraged a potential female candidate to run for a director seat. However, the candidate felt she could not accept the opportunity because of her existing responsibilities on the boards of two publicly traded companies.

While these challenges can apply to member and independent directors, representatives from all 11 FHLBanks emphasized that it can be particularly challenging to find and elect female or minority member directors. Our analysis of FHLBank board director data confirmed that

⁴⁷Under FHLBank board statutory requirements, as amended by HERA, directors generally serve 4-year terms. Typically, directors cannot be elected to serve more than three consecutive full terms, totaling 12 years. A director may be reelected to a directorship for a term that commences no earlier than 2 years after the expiration of the third full term.

⁴⁸[GAO-15-435](#).

⁴⁹[GAO-16-30](#).

across 11 FHLBank boards, female representation was lower among member directors (13 directors or 12 percent) than independent directors (31 directors or 36 percent) in October 2018. FHFA stated in this review and in 2015 that they are aware of the potential difficulty of identifying diverse candidates for member directors and that greater board diversity likely would be achieved with independent directors.⁵⁰

FHLBanks Developed Practices and Strategies to Help Increase Board Diversity

Since 2015, FHLBanks have taken actions to help increase board diversity, including developing and implementing practices and strategies that target board diversity in general and member directors specifically. As previously discussed, at the request of FHFA, the banks established the Bank Presidents Conference Board Diversity Task Force. The purpose of the task force is to develop recommendations for advancing board diversity and to enhance collaboration and information sharing across FHLBank boards. Each bank is represented by a board director or the bank president. Representatives meet regularly to discuss challenges, recommend practices, and receive training. One task force representative told us that her participation on the taskforce has helped demonstrate to her board and bank that diversity matters. Others mentioned that the ability to share practices and learn from other banks was a great benefit.

As part of its work, the task force developed a list of practices that FHLBanks have used or could use to improve board diversity (see text box). According to bank staff, the list was approved by the presidents of each bank and distributed to bank staff. The practices can be generally summarized into three categories—emphasizing the importance of diversity; assessing skills diversity; and seeking new ways to find

⁵⁰[GAO-15-435](#).

candidates—which are generally similar to the commonly cited practices for improving board diversity we identified in 2015.⁵¹

Summary of Practices Developed by Bank Presidents Conference Board Diversity Task Force of the Federal Home Loan Banks

- Include references to diversity on the bank website, in appropriate publications, in presentations about the bank, and particularly in all election materials.
- Educate current board members on the business case for diversity.
- Educate member institutions on the business case for diversity through member meetings, newsletter articles, etc. to help develop a more diverse member base and help groom new leaders.
- Perform a skills assessment of current board skills and areas of expertise and determine skill sets and expertise needed.
- Review the term limits of current directors and determine the possible loss of continuity if multiple incumbent directors leave the board in a short period of time.
- Build a pool of diverse member and independent candidates.
- Conduct outreach to regional and national business organizations, such as trade associations, women and minority business groups, and professional organizations, to ask for referrals of possible candidates and form relationships prior to a board election.
- Seek an additional independent board seat from the Federal Housing Finance Agency.

Source: Federal Home Loan Banks. | GAO-19-252

⁵¹See [GAO-15-435](#). The commonly cited board diversity practices we identified included (1) demonstrating commitment to diversity, such as by emphasizing the importance of diversity in the organization’s policies and procedures; (2) conducting a skills and needs assessment; (3) targeting diverse candidates; (4) seeking new ways to find candidates; and (5) disclosing the organization’s diversity practices, such as consideration of diversity in board elections or in its publicly available documents. External stakeholders knowledgeable in board diversity, who we interviewed for this report, confirmed that these practices are still useful and relevant for organizations seeking to maintain or improve their board diversity.

We found that the majority of FHLBank boards implemented all or most of the task force’s practices, based on our review of the banks’ 2017 annual OMWI reports and interviews with a nongeneralizable sample of board directors. For example, banks took the following actions:

Emphasizing the importance of diversity. All 11 FHLBanks included statements in their 2017 election announcements that encouraged voting member institutions to consider diversity during the board election process. Six banks expressly addressed gender, racial, and ethnic diversity in their announcements. One female director with whom we spoke said that she was encouraged to run for a board seat after reading an election announcement in 2013 that specifically called for candidates with diverse backgrounds. All 11 FHLBanks also referenced their commitment to diversity on their websites, including posting diversity and inclusion policies, describing diversity missions, or including board statements on diversity.

Directors we interviewed from all 11 FHLBanks told us that their bank conducted or planned to conduct diversity training for board directors. The training sessions covered topics such as the business case for diversity and unconscious bias. Additionally, board directors from two banks discussed efforts to encourage member institutions to increase diversity, such as holding a panel on the importance of diversity at the annual member conference. In 2015, we found that demonstrating a commitment to diversity in ways similar to these is a first step towards addressing diversity in an organization.⁵²

Example of Diversity Statement in an Election Announcement for a Federal Home Loan Bank

The Federal Home Loan Bank of New York (FHLBNY) included the following statement in its 2017 director election announcement package:

“The FHLBNY’s Board of Directors consists of a talented group of dedicated individuals that benefits from, among other things, demographic (including gender and racial) diversity, and we expect that this will continue in the future. As you consider potential nominations for Member Directorships and give thought to persons who might be interested in Independent Directorships, please keep diversity in mind. Your participation in this year’s Director Election process is greatly appreciated, and will help continue to keep the Board and the FHLBNY diverse and strong.”

Source: Federal Home Loan Bank of New York. | GAO-19-252

⁵²[GAO-15-435](#).

Example of a Skills Assessment for a Federal Home Loan Bank

The Federal Home Loan Bank of Topeka asks its board directors to rate the level of their experience in certain areas, including the following:

- Financial management
- Risk management
- Preparing or evaluating financial statements
- Experience as president or chief executive officer of a publicly traded company
- Corporate government expertise
- Cyber security expertise
- Diversity and inclusion expertise

Source: Federal Home Loan Bank of Topeka. | GAO-19-252

Assessing skills diversity. Nine FHLBanks performed board skills assessments annually or biennially. These assessments asked directors to evaluate their knowledge of specific topic areas. FHFA regulation allows each bank to annually conduct a skills and experience assessment and, if applicable, inform members before elections of particular qualifications that could benefit the board. In 2015, we found that conducting a skills assessment was a commonly cited practice for boards seeking to increase representation of women and minorities.⁵³ The other two FHLBanks conducted board self-assessments annually, focused on board effectiveness and organization, but did not evaluate the skills of their individual directors. All 11 FHLBanks also reported regularly reviewing the remaining terms of current directors to determine the possible loss of continuity.

Seeking new ways to find candidates. Representatives from 10 FHLBanks noted that their banks maintain a pool of diverse director candidates for future open positions. FHLBanks described using various methods to build these pools. All 11 banks described outreach to trade organizations, industry groups, universities, and nonprofit organizations when looking to identify women and minority candidates. For example, FHLBank of Pittsburgh identified 15 organizations in its district that actively promote diversity and the inclusion of women and minorities in business to specifically target in 2017. Directors from seven banks also reported hiring a search firm or consultant to help them identify women and minority candidates. These activities are consistent with commonly cited practices described in our 2015 work that boards can use to reach out beyond the typical pool of applicants.⁵⁴

As previously mentioned, seven FHLBanks requested or were offered an additional independent director seat by FHFA. According to FHFA staff, four of the seats were filled by white females, two were filled by minority females, and one was filled by a minority male.

In addition to the task force practices, some FHLBank board directors and FHFA staff noted actions that FHLBanks could take to specifically increase member director diversity. For example:

⁵³[GAO-15-435](#).

⁵⁴[GAO-15-435](#).

Example of a Diversity Practice Focused on Member Directors

In 2017, the Federal Home Loan Bank of San Francisco developed a Member Director Diversity Outreach Plan. The plan included eight steps that provide timelines and specific assignments for directors and bank management. For example, steps include conducting early outreach to trade organizations where women and minority directors might participate, individual director outreach to potential candidates, and developing a list of prospective candidates in case of vacancy appointments. Following the implementation of this plan, member institutions elected one female director and one minority director to fill the vacant member director seats.

Source: Federal Home Loan Bank of San Francisco. | GAO-19-252

- **Fill interim seats with women and minority candidates.** FHLBanks can appoint women or minority candidates to fill interim member director seats. By regulation, when a director leaves the board in mid-term, the remaining board directors may elect a new director for the remaining portion of the term. For example, the FHLBank of Pittsburgh reported electing a minority director in 2017 to fill a vacant member director seat. One director told us that when a female or minority director is elected for an interim term, the election increases the likelihood of the director being elected by the member institutions for a following full term.
- **Conduct mentoring and outreach.** FHLBank board directors also can use their personal networks to conduct outreach and mentor potential candidates. Current directors can pledge to identify and encourage potential women and minority candidates to run for the board. For example, one director told us that his board emphasizes the need for directors to pay attention to potential women and minority candidates they meet. This director said he had personally contacted qualified potential candidates and asked them to run. Another director noted that women and minority directors are likely to know other qualified candidates with diverse backgrounds. These directors can identify and refer individuals in their networks. Another director emphasized the importance of member directors conducting outreach to member institutions. Member directors have the most interaction with the leadership of member institutions and can engage and educate them on the importance of nominating and electing diverse member directors.
- **Look beyond CEOs.** Additionally, FHLBanks can search for women and minority candidates by looking beyond member bank CEOs. By regulation, member directors can be any officer or director of a member institution, but there is a tendency to favor CEOs for board positions, according to board directors, representatives of corporate governance organizations, and academic researchers with whom we spoke. The likelihood of identifying a woman or minority candidate increases when member institutions look beyond CEOs to other officers, such as chief financial officers or board directors. For example, the FHLBank of Des Moines expanded its outreach to women and minority candidates to include board directors at member institutions. In 2017, a female director who is a board member of her member institution was elected.

Conclusions

The Housing and Economic Recovery Act of 2008 emphasized the importance of diversity at the FHLBank System, and FHFA and FHLBanks have undertaken efforts to encourage diversity at the banks' boards. In particular, FHFA plans to use data it collects on the gender and race/ethnicity of board directors as a baseline to analyze trends in board diversity. While FHFA regulation allows directors to choose not to report this information, the banks' varying data collection processes did not always allow banks to accurately account for missing information (as in the case of directors forgetting to respond to the data questions or fill out forms). Reviewing the processes the banks use to collect the demographic data could help FHFA and the banks identify practices to produce data that would better allow FHFA to track trends in board diversity. FHFA could work with FHLBanks (potentially through the system-wide Board Diversity Task Force) to conduct such a review.

Recommendation for Executive Action

The Director of FHFA's Office of Minority and Women Inclusion, in consultation with FHLBanks, should conduct a review on each bank's processes for collecting gender and race/ethnicity data from boards of directors and communicate effective practices to FHLBanks. (Recommendation 1)

Agency Comments

We provided a draft of this report to FHFA and each of the 11 FHLBanks for review and comment. In its comments, reproduced in appendix III, FHFA agreed with our recommendation. FHFA commented that it intends to engage with FHLBanks' leadership in 2019 to discuss board data collection issue and address our recommendation. FHFA also stated that it plans to request that the Board Diversity Task Force explore the feasibility and practicability for FHLBanks to adopt processes that can lead to more complete data on board director demographics. In addition, four FHLBanks provided technical comments, which we incorporated as appropriate. The other seven FHLBanks did not have any comments.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the

report date. At that time, we will send copies to the appropriate congressional committees, the Acting Director of FHFA, and other interested parties. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-8678 or ortiza@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix IV.

A handwritten signature in black ink, appearing to read 'A. Ortiz', written in a cursive style.

Anna Maria Ortiz
Acting Director, Financial Markets and Community Investment

Appendix I: Objectives, Scope, and Methodology

This report examines the (1) extent to which the Federal Housing Finance Agency (FHFA) has taken steps to encourage board diversity at the Federal Home Loan Banks (FHLBank); (2) trends in diversity composition (gender, race, and ethnicity) for the boards of individual FHLBanks; and (3) challenges FHLBanks face and practices they use in recruiting and maintaining a diverse board. While diversity has many dimensions, this report focuses on gender, race, and ethnicity.

To understand the steps FHFA has taken to encourage FHLBank board diversity, we reviewed relevant laws and regulations related to FHLBank boards, including FHFA regulations on director elections and diversity reporting requirements. For example, we reviewed the relevant sections in the Housing and Economic Recovery Act of 2008 pertaining to FHFA and the banks and FHFA's 2010 Minority and Women Inclusion rule and its 2015 amendments.¹ We also reviewed other FHFA and bank documentation related to board director elections and diversity considerations. For example, we reviewed FHFA's annual board director analysis for 2016–2018 to identify actions the agency took to help maintain or increase the number of female or minority directors at the FHLBank boards. Additionally, we interviewed FHFA staff to understand the agency's role in overseeing FHLBank board diversity and the agency's efforts in helping the banks maintain or increase board diversity.

To describe trends in FHLBank board diversity, we analyzed gender and race/ethnicity data self-reported by board directors in FHLBanks' annual reports to FHFA as of the end of 2015, 2016, and 2017.² The banks' annual reports use the gender and race/ethnicity classifications from the Employer Information Report (EEO-1) of the Equal Employment Opportunity Commission (EEOC). The EEO-1 report race/ethnicity categories are Hispanic or Latino, White, Black or African-American, Native Hawaiian or Other Pacific Islander, Asian, Native American or

¹12 U.S.C. § 1427; Minority and Women Inclusion, 75 Fed. Reg. 81395 (Dec. 28, 2010); and Minority and Women Inclusion Amendments, 80 Fed. Reg. 25209 (May 4, 2015).

²All years in this report are calendar years, unless otherwise noted.

Alaska Native, and Two or More Races. The Hispanic or Latino category in EEO-1 incorporates Hispanics or Latinos of all races. For our report, we used the following categories: Hispanic, White, African-American, Asian, and “Other.” We included only non-Hispanic members under White, African-American, Asian, and “Other.” We included Asian American, Native Hawaiian or Pacific Islander under the Asian category, and we included Native American or Alaskan Native, and Two or More Races under “Other.”

To provide more recent data on gender composition, we also analyzed data on the gender of directors who were on boards as of October 17, 2018. Specifically, we compiled a list of board directors who started or continued their terms on the boards in 2018, based on board director information from the banks’ 2017 Form 10-K filings with the Securities and Exchange Commission (SEC).³ The filings include the names and brief biographies of board directors, which we used to derive the gender data for directors. For example, if directors were referred to as “Mr.” in the Form 10-Ks, we counted them as male. If they were referred to as “Ms.,” we counted them as female. We then confirmed with each FHLBank the compiled list of board directors, as of October 17, 2018. Because some directors did not self-identify their gender in 2015–2017 annual reports, we also used information in the banks’ 2014–2016 Form 10-Ks to derive data on the gender of the banks’ board directors. As a result, we were able to report the gender information for all FHLBank board of directors from 2015 through October 2018. We separately requested the names of the chairs and vice chairs for the committees of each bank’s board as of October 26, 2018. We then derived the gender of the chairs and vice chairs for these committees based on the information in the banks’ Form 10-Ks.

To analyze data on board director race/ethnicity, we relied on FHLBanks’ 2015–2017 annual reports. However, we were not able to use banks’ Form 10-Ks to derive data on race/ethnicity for board directors who did not self-identify race/ethnicity in the annual reports because the 10-Ks do not include such information. We also requested and analyzed from each bank data on the gender and race/ethnicity of their board chair and vice

³The 2017 Form 10-K filings indicate board membership in 2018. That is, the FHLBanks’ 10-Ks for a given year include information on the directors who will start or continue to serve on the FHLBank boards for the following year. For example, an FHLBank’s 2017 Form 10-K includes information on directors who would start or continue their terms on the bank’s board starting on January 1, 2018.

chair as of October 17, 2018. We assessed the reliability of the data from the banks' annual reports and Form 10-Ks through electronic testing, a review of documentation, and interviews with knowledgeable agency staff, and we determined these data to be sufficiently reliable for describing the overall trends and composition of gender and race/ethnicity at the FHLBank boards, except the data for directors who did not self-identify their race/ethnicity, as discussed in the report.

We also compared the most recently available demographic information on FHLBank board directors with the demographic composition of senior management in the financial services industry and the overall private sector (excluding financial services), based on data from the 2016 EEO-1 report from EEOC.⁴ Senior management in the financial services industry represents a pool of comparable candidates that could provide directors for FHLBank boards. The EEO-1 report data are annually submitted to EEOC by most private-sector firms with 100 or more employees.⁵ The data include gender and race/ethnicity of the employees by job category.⁶ We included workforce from all sites of multi-establishment companies (companies with multiple locations). Consequently, the analysis included in this report may not match the analysis found on EEOC's website, which excludes workforce from sites of multi-establishment companies with less than 50 employees. In our analysis of senior management-level diversity in the financial services sector, we included companies in the finance and insurance industry categorized under code 52 of the North American

⁴At the time of our review, the most current data available for the FHLBank board director race/ethnicity were from 2017, the FHLBank board director gender were from October 2018, and the EEO-1 report data were from 2016. For EEOC reporting, the financial services industry consists of five sectors: banks and other credit institutions; funds and trusts (such as investment companies); securities and other activities; insurance; and monetary authorities (such as central banks). For this report, senior management includes executive and senior-level management. EEOC defines executive and senior-level management as those who plan, direct and formulate policies, set strategy and provide the overall direction of the organization. For example, senior management includes chief executive officers, chief operating officers, chief financial officers, presidents or executive vice presidents, chief information officers, chief human resources officers, chief marketing officers, chief legal officers, and management directors.

⁵Additionally, all non-exempt federal prime contractors or first-tier subcontractors who have 50 or more employees and have a federal contract, subcontract, or purchase order of \$50,000 or more must file an EEO-1 report for each applicable establishment.

⁶If an employee declines to self-identify his or her race or ethnicity, employment records or observer identification may be used.

Industry Classification System.⁷ We assessed the reliability of the data from the EEO-1 report through electronic testing, a review of documentation, and interviews with knowledgeable agency staff. We determined these data to be sufficiently reliable for comparing the composition of gender and race/ethnicity in the financial services sector and the overall private sector with that of the FHLBank boards. Furthermore, to provide a general comparison of FHLBank board diversity composition with corporate boards of U.S. companies, we reviewed research that discussed data related to diversity at corporate boards of U.S. companies in recent years.⁸

In addition, from each FHLBank, we requested and reviewed the instrument they used to collect gender and race/ethnicity information from their board directors. We also obtained and reviewed information on the methods the banks used to distribute and collect the data collection instruments, and any instructions FHFA provided to the banks or that the banks provided to the board directors on collecting this information. We reviewed relevant information from the banks' annual reports and relevant regulations on collecting and submitting board directors' gender and race/ethnicity information.⁹ We also compared the banks' data collection processes with relevant federal internal control standards.¹⁰

To determine the challenges the FHLBanks face and practices they use to recruit and maintain a diverse board, we interviewed staff at FHLBanks and FHFA to learn about the Bank Presidents Conference Board Diversity Task Force and the list of diversity practices compiled by the task force. We reviewed and analyzed the banks' 2017 annual reports to learn about the most recent practices the banks implemented. We also reviewed the banks' websites and bank documents, such as election materials and skills assessments for all 11 banks. In addition, we conducted semi-structured interviews with 10 board directors and one bank president, who act as representatives on the system-wide board diversity task force. We also conducted semi-structured interviews with a nongeneralizable

⁷EEOC requires employers to use the North American Industry Classification System to classify their industry.

⁸For example, see Institutional Shareholder Services, *U.S. Board Study: Board Diversity Review* (Apr. 11, 2018).

⁹12 C.F.R. § 1223.23.

¹⁰GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014).

sample of FHLBank board chairs from six banks (Atlanta, Boston, Des Moines, Pittsburgh, San Francisco, and Topeka). We selected these banks to achieve variation in board diversity composition (share of women and minority directors), asset size, and geographic locations. In these interviews, we asked directors and staff about the challenges their banks faced as they sought to increase or maintain diverse boards. We also asked about their participation on the task force, the task force diversity practices, and any other practices their banks had implemented related to board diversity efforts.

To determine if the task force diversity practices generally followed commonly cited practices used to improve board diversity, we compared the task force practices against commonly cited practices we identified in previous work in 2015.¹¹ To verify that the practices we identified in 2015 were still relevant and useful, we interviewed three academics and representatives of four organizations that advocate for board diversity, including gender and racial/ethnic diversity.¹² We selected these external stakeholders based on their research and experience related to increasing board diversity and referrals from others knowledgeable in the field. In our interviews with external stakeholders, we also asked about the challenges that financial organizations or other publicly traded companies may face as they work to increase or maintain board diversity. We compared these answers to the challenges that FHLBank representatives described.

We conducted this performance audit from July 2018 to February 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

¹¹GAO, *Federal Home Loan Banks: Information on Governance Changes, Board Diversity, and Community Lending*, [GAO-15-435](#) (Washington, D.C.: May 12, 2015).

¹²The three academics we interviewed were from Columbia Business School (Columbia University), Loyola University Chicago School of Law (Loyola University Chicago), and the Ross School of Business (University of Michigan). The four organizations were Catalyst, Executive Leadership Council, Hispanic Association on Corporate Responsibility, and Leadership Education for Asian Pacifics.

Appendix II: Number of Board Directors at Federal Home Loan Banks, by Gender and by Race/Ethnicity

Table 5: Number of Directors on Federal Home Loan Bank (FHLBank) Boards, by Gender, Calendar Years 2015 to October 2018

n/a FHLBank	2015			2016			2017			2018		
	Female	Male	Total	Female	Male	Total	Female	Male	Total	Female	Male	Total
Atlanta	2	12	14	2	11	13	2	12	14	2	12	14
Boston	2	14	16	2	14	16	3	14	17	3	14	17
Chicago	3	14	17	3	14	17	4	14	18	4	14	18
Cincinnati	3	14	17	3	14	17	3	15	18	3	15	18
Dallas	5	11	16	5	11	16	6	11	17	6	11	17
Des Moines	8	21	29	8	21	29	7	18	25	9	15	24
Indianapolis	2	14	16	2	14	16	3	14	17	3	14	17
New York	3	16	19	3	16	19	3	16	19	3	16	19
Pittsburgh	5	12	17	4	13	17	5	12	17	5	12	17
San Francisco	2	12	14	2	12	14	2	13	15	3	12	15
Topeka	1	14	15	2	14	16	3	15	18	3	15	18

Source: GAO analysis of Federal Home Loan Bank and Securities and Exchange Commission data. | GAO-19-252

Note: To determine gender, we obtained data from 2015–2017 annual reports by the FHLBanks’ Offices of Minority and Women Inclusion and from FHLBanks’ Form 10-K filings (in 2014–2017) with the Securities and Exchange Commission. For example, if directors were referred to as “Mr.” in the Form 10-Ks, we counted them as male. If directors were referred to as

**Appendix II: Number of Board Directors at Federal Home
Loan Banks, by Gender and by Race/Ethnicity**

"Ms.," we counted them as female. FHLBanks' Form 10-Ks for a given year include information on the directors who will start or continue to serve on the FHLBank boards for the following year. For example, an FHLBank's 2017 Form 10-K includes information on directors who would start or continue their terms on the bank's board starting on January 1, 2018.

Appendix II: Number of Board Directors at Federal Home Loan Banks, by Gender and by Race/Ethnicity

Table 6: Number of Minority and Nonminority Directors on Federal Home Loan Bank (FHLBank) Boards, Calendar Years 2015–2017

n/a FHLBank	2015				2016				2017			
	Minority	Nonminority	Did not identify	Total	Minority	Nonminority	Did not identify	Total	Minority	Nonminority	Did not identify	Total
Atlanta	2	12	0	14	3	10	0	13	3	11	0	14
Boston	1	14	1	16	1	14	1	16	2	14	1	17
Chicago	2	13	2	17	3	13	1	17	3	13	2	18
Cincinnati	2	15	0	17	2	15	0	17	2	15	1	18
Dallas	1	15	0	16	1	15	0	16	2	15	0	17
Des Moines	2	24	3	29	3	19	7	29	3	17	5	25
Indianapolis	0	16	0	16	0	15	1	16	1	14	2	17
New York	4	15	0	19	4	15	0	19	5	14	0	19
Pittsburgh	2	15	0	17	2	11	4	17	3	13	1	17
San Francisco	3	10	1	14	3	10	1	14	4	9	2	15
Topeka	1	14	0	15	2	14	0	16	2	15	1	18

Source: GAO analysis of Federal Home Loan Bank data. | GAO-19-252

Note: Board directors voluntarily report their race/ethnicity, using categories from the Employer Information Report of the Equal Employment Opportunity Commission—which are Hispanic or Latino, White, Black or African-American, Native Hawaiian or Other Pacific Islander, Asian, Native American or Alaska Native, and Two or More Races. For our report, we define “minority” as directors who reported their race/ethnicity as African-American, Hispanic, Asian, Native Hawaiian or Pacific Islander, Native American or Alaskan Native, or those that identified as two or more races. We define “nonminority” as directors who reported their race as White. The “did not identify” category might have included directors who chose not to identify their race/ethnicity or those who did not respond on the board demographic data form.

Appendix III: Comments from the Federal Housing Finance Agency



Federal Housing Finance Agency

Constitution Center
400 7th Street, S.W.
Washington, D.C. 20219
Telephone: (202) 649-3800
Facsimile: (202) 649-1071
www.fhfa.gov

January 25, 2019

Ms. Anna Maria Ortiz
Acting Director, Financial Markets and Community Investment
Government Accountability Office (GAO)
441 G Street, NW
Washington, DC 20548

Dear Ms. Ortiz:

Thank you for the opportunity to review and comment on the GAO Report, *Federal Home Loan Banks: Steps Have Been Taken to Promote Board Diversity, but Challenges Remain* (Report). We appreciate the professionalism that your team exhibited during the course of this engagement. GAO recommends that “the Director of FHFA’s Office of Minority and Women Inclusion, in consultation with FHLBanks, should conduct a review on each bank’s processes for collecting gender and race/ethnicity data from boards of directors and communicate effective practices FHLBanks could use to obtain more complete data.”

The Report suggests that the Federal Housing Finance Agency (FHFA) could potentially work through the FHLBanks’ Board Diversity Task Force to conduct such a review. As noted in the report, FHFA requested that the FHLBanks create the Board Diversity Task Force to share practices that promote diversity. The Board Diversity Task Force has previously identified practices to improve board diversity at the FHLBanks.

FHFA agrees with GAO’s recommendation and intends to implement it on a three-part basis. During 2019, FHFA will request to be placed on the agenda of the FHLBanks Chairs and Vice-Chairs Conference scheduled for May 2019, to discuss the issue of data collection and the need to improve the response rates. FHFA will also collaborate with the Chair of the Human Capital,

Page 2

Board Diversity & OMWI Committee of the FHLBanks Bank Presidents Council to address the recommendation. In addition, FHFA will continue our engagement with the Board Diversity Task Force, which has been focused on increasing board diversity, in general. The Board Diversity Task Force has specifically reviewed the FHLBanks' processes for collecting board member demographic data and, in the process, has identified, and continues to identify, best practices that can be shared among the FHLBanks. FHFA will request that the Task Force explore the feasibility and practicability of each FHLBank adopting a uniform set of processes to maximize the probability of more successful and complete data collection.

If you have any questions, please do not hesitate to contact my office at (202) 649-3496.

Sincerely,

A handwritten signature in blue ink that reads "Sharron P. A. Levine". The signature is written in a cursive style.

Sharron P. A. Levine
Director, Office of Minority and Women Inclusion

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

Anna Maria Ortiz, (202) 512-8678, ortiza@gao.gov.

Staff Acknowledgments

In addition to the individual named above, Kay Kuhlman (Assistant Director), Anna Chung (Analyst in Charge), Laurie Chin, Kaitlan Doying, Jill Lacey, Moon Parks, Barbara Roesmann, Jessica Sandler, and Jena Sinkfield made key contributions to this report.

Appendix V: Accessible Data

Data Tables

Accessible Data for Share of Women and Minorities on Federal Home Loan Bank Boards, in Calendar Years 2015 and 2017, and as of October 2018

Year	Women	Men	Year	Racial or ethnic minority	Non-minority	Did not identify
2015"	18	81	2015	11	86	4
2018"	23	77	2017	15	77	8

Accessible Data for Figure 3: Share and Number of Women and Men on Federal Home Loan Bank Boards, Calendar Years 2015 to October 2018

Year	Women	Men
2015"	18	81
2016"	19	81
2017"	21	79
2018"	23	77

Accessible Data for Figure 5: Share and Number of Minority and Nonminority Directors on Federal Home Loan Bank Boards, Calendar Years 2015–2017

Year	Racial or Ethnic	Non-minority	Did not identify
2015"	11	86	4
2016"	13	79	8
2017"	15	77	8

Agency Comment Letter

Accessible Text for Appendix III Comments from the Federal Housing Finance Agency

Page 1

January.25, 2019

Ms. Anna Maria Ortiz

Acting Director, Financial Markets and Community Investment

Government Accountability Office (GAO)

441 G Street, NW

Washington, DC 20548

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If you have any questions, please do not hesitate to contact my office at (202) 649-3496.

Sincerely,

Sharron P. A. Levine

Director, Office of Minority and Women Inclusion

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