



## Driving Diversity, Equity and Inclusion

**BRIAN SULLIVAN:** Welcome back to the FDIC Podcast where we talk about our banks and your money. I'm Brian Sullivan with the Federal Deposit Insurance Corporation.

Today, we're going to talk about three words—diversity, equity and inclusion.

We talk a lot about banking on this podcast...how we bank...how we regulate banks...how banks are weathering this pandemic.

But it struck us that as continue to have a national, even GLOBAL, conversation about diversity, equity and inclusion, we should bring that conversation to the FDIC Podcast also.

Recently, the FDIC issued published its strategic plan to promote diversity, equity and inclusion both inside the agency and among the financial institutions it supervises.

And so today, we talk about these three words—diversity, equity and inclusion.

Joining us are two people whose own personal stories drive their work to create a more diverse, equitable and inclusive banking system—FDIC Chairman Jelena McWilliams and Nikita Pearson, who leads the FDIC's Office of Minority and Women Inclusion. Welcome to both of you!

**CHAIRMAN MCWILLIAMS:** Thank you, Brian.

**NIKITA PEARSON:** Thank you.

**BRIAN SULLIVAN:** Madam Chairman, you first. Some may not know your personal story coming to this country as a young woman. Can you share how that experience drives your approach to these three words?

**CHAIRMAN MCWILLIAMS:**

No, absolutely. So, I am, is it okay to share age with people? So, I'm perfectly fine to share age with people, even though apparently women over 40 shouldn't do so, but in 1991, I arrived in the United States from the former Yugoslavia on my 18th birthday. Literally, on my 18th birthday, I landed in San Francisco airport. And I came here by myself. I had \$500 in my pocket and that's \$500 that my parents in the former Yugoslavia had to borrow to send me to the United States because I wanted to come to America where *anything* is possible. And so, when I first came here, I lived with an American host family as an exchange student for about a year, but then I was completely on my own after that. And I will tell you that having to work in a country where you don't really understand the culture, but from the movies. I always say that I watched "Dallas" and "Dynasty" and Beverly Hills 91, 091...

**BRIAN SULLIVAN AND NIKITA PEARSON:** 90210!

**CHAIRMAN MCWILLIAMS:** 90210! I forgot the zip now, it's unachievable for me. I always thought that life here offers so much more and you really have an opportunity that you do not in many other societies. And so that's really what drove me to come to the United States. But along the way, I had many hardships. When you come here with nothing and nobody, you have no place to go for Thanksgiving, you have no place to go for Christmas, if you get sick, you have nobody to call to bring you some soup. And, and so I had to work.

I worked a number of minimum wage jobs. I cleaned houses. One of my first jobs was cleaning my neighbors' houses for \$5 an hour. I worked a closing shift at Blockbuster. I sold Cutco knives door-to-door. I worked in a car dealership. I worked as a hostess in a restaurant. I've done a number of jobs just to survive and, and be able to obtain education in the United States because I realized pretty quickly, I have to get educated.

And I remember when I was applying for colleges, I was down to \$50 from my \$500 and I lived in Stockton, California, which was 80 miles away from University of California at Berkeley and the application to UC Berkeley was \$40. The application to Stanford was \$60. Priority Mail was \$3.25. You do the math. And I applied to Berkeley, got in, but then couldn't really afford to get to pay for Berkeley as an international student. So, I ended up going to community college and then driving 80 miles each way, 160 miles round trip, every day to go to UC Berkeley, where I graduated with highest honors and went to a law school at UC Berkeley as well, and then became a lawyer. And along the way, someplace I belong, I became that the FDIC chairman, but certainly that story informs my struggle to make it in the United States of America and my struggle to belong. When you, when you have an accent, you don't always feel like you belong...I have informed quite a, quite a bit of my thinking about diversity, equity and inclusion and what I want the FDIC to be in that respect.

**BRIAN SULLIVAN:** And Nikita, your own story, since I know it's very compelling, because it seems to motivate you every time you wake up in the morning to come here. Doesn't it?

**NIKITA PEARSON:** Oh, I, every day that I wake up, I think about things in my past, and I think about it with the perspective of how are we going to make, use this for the benefit to make it better?

Brian, I grew up very, very poor in Thompson, Georgia, which is in rural Georgia. It's about this big, but you'll know it because it will be a Waffle House on each side of the interstate and that is good food by the way. And when I was growing up in Thompson, for a variety of different reasons, my parents had me young and for a variety of different reasons, I lived with my great aunt and my great uncle and neither one of them, they couldn't read or write. And because they couldn't read or write, my aunt cleaned houses and my uncle worked at the rock quarry, but they made sure that education was first and foremost for me and my sister. So, there are a few things...we didn't get to watch television, we had to read everything and so when everyone else might've been watching television, we had to read the encyclopedia. I don't think people even know what encyclopedias are anymore, but I've read the encyclopedia back then from A-to-Z. And they instilled in me the importance of education because they wanted a better life for me.

And I ended up going to Savannah State University, which is an HBCU in Savannah, Georgia. And my freshman year, I became a mother. And I remember watching the disappointment on my family's face because I was supposed to be the first woman in my family to graduate from college. And I had my daughter and two weeks later I went and started summer school because I knew if I took a break, that the likelihood of me finishing school would be slim to none. So, two weeks, had my daughter, went back to summer school and I focused on my education because what I wanted was a better life for my daughter, and in the process, I graduated magna cum laude.

And I was sitting in my accounting class and two FDIC recruiters walked in. And they walked in and they started talking about the mission of the FDIC. They talked about how the FDIC insures deposits so that you can feel like, you know your money is safe when you place it in a bank. They talked about how the FDIC made sure that banks lend fairly. They talked about the way that the FDIC assessed whether or not banks are reinvested in their communities. And as I sat there and I listened to them, there were a number of different things that came to mind. I thought about my Granny. That's my great grandmother, but I call her Granny. I thought about my Granny, because I remember my Granny walking around with all of her money from her Social Security check that she cashed in her pocket. And for me as a kid growing up, that was good because when the ice cream truck came, I knew exactly where to go to get 50 cents for the ice cream.

But as an adult, I began to realize like, that's not safe and why on earth would she have her money just in a pocket? And, and it was because she grew up during the Great Depression and she didn't trust banks, her experience with banks weren't good. And it was so amazing because, remember my great aunt and great uncle that I mentioned earlier? That, that was the first jobs, cleaning houses and working at the rock quarry. At night, they had a second job and that was cleaning the banks in town and my sister and I would go along with them. And, and that just tells you how the family was trusted. The family was trusted so that we had the keys to walk into any bank at night in Thompson, Georgia, unlock it, turn the alarm off and clean it.

And so, as I was sitting there in the banks, helping my great aunt and uncle, this is when, you know, Chairman, you talked about, we don't tell age, but I'm going to age myself here, this is when banks had started to transition from the general ledger paper system to computers. And I remember one of the tellers gave me one of the old books, general ledger books, and I sat there, and I was writing in it and I was looking at the numbers and I was asking myself I wonder what they mean? And that generated an interest in me in banking.

But then I had another experience. So, remember my family, we, you know, the bankers knew us. We walked in, I walked in with my mother to one of those exact same banks and we were sitting in a loan officer's office and my mother was applying for a loan. And I was sitting there watching and listening to the loan officers speak to my mother and I knew what I was witnessing was wrong. And if I couldn't tell as a child by the words, I could tell by looking at the tears rolling down my mother's face. And what I knew at that moment, that I never wanted anyone to feel the way that my mother felt. It wasn't about just whether or not she got the loan, it was about how do you treat people with dignity and respect?

So, all of those things came to, in my mind, in play, as I was listening to FDIC recruiters, talk about the mission of the FDIC and I knew at that moment that I wanted to have a career of purpose. I wanted to serve the American public, and there was no better place to do that than at the FDIC.

**BRIAN SULLIVAN:** Wow. Two really compelling stories. Madam Chairman, as I mentioned at the outset, you just published a strategic plan that attempts to infuse these three words—diversity, equity, and inclusion—into everything the agency does. You said at the time that it was “unlike others we have had in the past.” How so?

**CHAIRMAN MCWILLIAMS:** So, I would say that when we talk about diversity in any corporate setting, whether that corporate setting is for a private corporation or for a public agency, like the FDIC, quite often we focus on numbers. And, you know, you want to know how many of X ethnicity you have, of Y ethnicity you have, at each management level, at each level that we employ. And then you look at numbers, and the numbers tell you a story, right? But there's another story. And that is the story of how people feel. And so, I recall when I was presented with the numbers at the FDIC, and we always do a comparison with the other federal banking agencies, as well as with the, the federal agencies in general. I was told “Oh, we look good.” And I said, “Okay, so we look good on paper, but how do people feel?”

And along the way, I picked up that, yeah our numbers may be good, but people don't always feel good about the agency. They don't always feel like they belong. They don't always feel like they have been given a fair chance. And I realized that no matter what the numbers say, if we don't change the culture, we're not going to change the overall assessment as to how well we're doing, regardless of the numbers.

**BRIAN SULLIVAN:** And it's not just how these words make people feel inside of the FDIC, you're also using this strategic plan as a vehicle to look outside of the agency, to the banks that the FDIC supervises, right?

**CHAIRMAN MCWILLIAMS:** Absolutely. And what I want to stress is that our diversity, equity and inclusion plan, I believe, is a little bit unique...in some cases more than a little bit unique...because it focuses on actual deliverables. And I'll tell you this without embarrassing anyone, the first version of the plan before I said, no, no, no, we've got to go back. I got the plan, I got a draft plan, and I looked at it and I said, "What do these words mean?" Right? A lot of these plans, when you read them from different corporations, they have exactly the same kind of a plethora of words. You know, it's almost like you took a dictionary and everything that had that is synonymous with diversity, you put in there and you figure out how to make a good sentence out of it. And I'm not undermining what others are doing, but I felt that words that sound good, that don't have execution behind them, mean very little in terms of what you are able to achieve on diversity.

And I wanted people within the FDIC to feel that those words actually mean something, that they're not just spoken because we're supposed to have a diversity, equity and inclusion plan. And so, I tasked Nikita and her team and the rest of the senior management at the FDIC to look at that draft and come up with things that actually we can deliver on, that are plain English, that people within the agency will understand to empower them. And we can talk about self-empowerment in a little bit, but I wanted that to be meaningful in a way that is different than what the agency has done in the past. And so, hence our plan.

**BRIAN SULLIVAN:** So, Nikita to build on what the Chairman just said, you know, we hear these words a lot. We hear them used in corporate settings and in public places. You're directing the FDIC's efforts to incorporate these words into our work, to make them real. How do you turn these aspirational words into something tangible, something that will make a real difference?

**NIKITA PEARSON:** You know, Brian, I first think about a quote by James Baldwin. He said that "not everything faced can be changed, but nothing can be changed until it's faced."

What the Chairman talked about is, we had data, but she talked about the more important piece on making something tangible. We listened. We listened to employees at all levels, and we listened to the feedback that they provided. In addition to that, then we started challenging ourselves, challenging our way of thinking, challenging the way that we've always done things. And then really asking, how can we move the needle on this? And, more importantly, how can we get everyone involved? Because it's not enough to come up with a plan and then have all these different tasks in it for people to complete, but do people really believe in it? And have we communicated the information out in a transparent fashion, and have we provided opportunities for absolutely everyone, at every level to get involved in the work of this plan? And then more importantly, you know, the chairman talked about like data only tells part of the story. We can go through this plan and we can have tangible actions and we can be able to measure some results, but that'll only tell us part of the story. The other part is being accountable and making sure that we have, and we produce, an impact report. An impact report will tell the story, not just of the numbers, but how have we made a difference in the way that people show up to work? Putting all of those things in place and sharing it out, helps the plan become tangible. It makes it real, and it keeps everyone involved.

**BRIAN SULLIVAN:** Nikita. I'm gonna follow up on that because, you know, growing up, we were all taught that equality was the ideal, right? Separate is not equal...Equal rights under the law. And increasingly we're hearing this word 'equity,' and that's what we should be reaching for. What's the difference between equality and equity and why is that difference so important?

**NIKITA PEARSON:** You know, we're human Brian. And I know I'm stating the obvious. We're human and each of us are different. We come to the table, the chairman and I shared our stories, we come to the table with very different backgrounds and different needs to have equal opportunity. Equity is an enabler of equal opportunity. It is meeting people where they are to provide the resources in order for them to be able to compete.

And so, for example, I like to use the example of, if you and I, Brian, were working in a catering company and part of the uniform is shoes, we all need shoes. But you and I, Brian, may or may not wear the same size shoe. Even if we wore the same size shoe, we may have narrow, medium, wide and so, in order for us to have the uniform, the resource that we need to do our catering job, we both need pairs of shoes, but we would need different pairs of shoes. And that's the difference. Because Brian, if they gave you my shoe, it may not fit for you and you may not be able to stand on your feet that amount of time to do the catering work and vice versa. And so, when I think about equity, equity really celebrates diversity because it recognizes you as an individual worker versus being equal, which is saying that everyone is the same.

**BRIAN SULLIVAN:** So, Madam Chairman, when you look at equity in the marketplace out there, the FDIC just recently published another report that found that, at last count, roughly 95 percent of all US households were banked and about 5 percent were unbanked. And that's the highest percentage of banked households and the lowest percentage of unbanked households on record. And I think we all agree that being banked is better than being unbanked. So, these numbers appear to be encouraging but when you look closer at which households are disconnected from our banking and financial system in this country, the numbers are really troubling. Black and Hispanic families for example, are significantly more likely to be unbanked. What does the racial and ethnic disparity, this equity issue, in these numbers tell you about just how inclusive our banking system is?

**CHAIRMAN MCWILLIAMS:** That's a great question, Brian. And when we talk about an inclusive system, really what I want to talk is about a system of belonging. Do you feel like you belong to the system? Right? And we have heard a lot of discussion over the past year about people being disenfranchised. The African American population in particular, not being, not feeling like they're a part of the system in large numbers. And so, when we look at that when we look at data from our survey on who is banked in America and how America banks, we find out that 2.5 percent of white households and 13.8 percent of black households, and 12.2 percent of Hispanic households are basically the percentage of unbanked households for the United States in 2019. And so, we even see the disparity in those numbers. So, when we, when we talk about an inclusive financial system, when we talk about economic inclusion, we want people to belong and to feel like they're a part of the system and successfully being a part of the system.

And Nikita just shared the story of her mom not being able to get a loan at a bank a while back. We won't age ourselves anymore, but a while back, and it will be frankly for people, especially who do not have family capital to start with in life. Access to credit is everything. And I know that, again from my personal story, when I came to United States with those \$500. I realized that everybody, I opened up a checking account the very next day. And unlike Nikita's grandmother, I actually thought I should put my money in a bank in the United States because I didn't think that having only \$500 to my name, I should walk around with it. And so, I put it in a bank. I opened up a checking account on my second day in the United States, and I have that same checking account to this day, 30 years later.

And so, then I went to a grocery store and I realized that everybody was using a credit card. And those plastic, little credit cards looked pretty magical to me because they came with special powers. And for me, that special power was that when you handed the card to the cashier, you didn't have to talk to the cashier. And the reason I didn't want to talk to the cashier is, *everytime* I would go to the grocery store to purchase bread, I would hand the cash or write a check and we had to exchange words, that exchange required words and talking. And *everytime*, inevitably I would get asked, "you have an accent, where are you from?" And every time I was asked that, it reminded me I don't belong. I am different than the others. And I thought that maybe, just maybe, if I have a credit card, I can look like the rest. I can, I don't have to speak and, maybe I can belong for change.

I didn't think that that would lead to creating a credit history and be able to get, you know, a home mortgage later and a student loan and an unsecured credit card. All I wanted was not to present my genealogy every time I go to buy bread to a grocery store clerk and be reminded that I'm different. But what that secured credit card did for me is actually provide a path to become banked in the United States. And because I had no other access to credit, becoming banked did mean that I would be able to get access to credit from banks later on unsecured to achieve my dreams and goals in the United States. So, I'm driven by this story, not because it's just the personal story, but because it's a story of an immigrant in this country who had no other access to capital but bank credit, and that bank credit allowed me to advance and get educated and essentially become a homeowner. And with that, becoming a homeowner and being educated in the United States over that path, during that journey, I actually started to feel like I belonged.

**BRIAN SULLIVAN:** Is it too much to take what you just said and conclude that unless you're banked in this country, you don't really belong to the financial fabric of this nation?

**CHAIRMAN MCWILLIAMS:** I will say you, that it is very easy to feel for many reasons in the United States that you don't belong. If you don't come from the right background, if your parents, you know, if you weren't born in the right place, if your parents don't have the right connections, so, there are different ways. And I think this is why when we talk about diversity and inclusion in particular, it's important to understand that people come from all walks of life and we all bring with our, with ourselves, we bring the backpack of life. You know, the backpack is filled with your experiences, your family experiences, what you were taught, what you witnessed, you know, what Nikita witnessed when she saw her mother cry for not being able to get a loan. And all of those experiences over time, create for better or for worse, create biases within us about things and people. And it's recognizing those unconscious biases that we need to be cognizant of, to understand that we are not going to create an inclusive society if we don't know what our biases are, and if we don't know how to, how to tackle them.

And I do believe that becoming a part of the financial fabric in the United States...and not just in a way that, you know, that people don't get discriminated when they go to obtain credit. I mean, we have laws in place and as a regulatory agency, we enforce those laws such as Fair Lending, et cetera. But to have a feeling that, you know that access to credit is available to you, that banks are there to serve your needs...and we again have laws on the books for that as well, which is Community Reinvestment Act. But it's, it goes above and beyond that, which is to say that you can succeed in this as system, and you can certainly feel like you belong and I think being a part of the banking fabric, having access to financial services is a first step in that journey.

**BRIAN SULLIVAN:** Right.

**NIKITA PEARSON:** Brian, I, you know, as I was listening to the Chairman, I thought about something, just how important that sense of belonging is in a banking system. Because I think about a lot of people, my friends, family are still in that low- and moderate-income area and if I talk to them about the benefits of a bank, they can go anywhere to cash their checks, they can transfer funds, it doesn't necessarily have to be with the bank.

Where there's a beautiful opportunity with the banking system is go beyond those, those technical aspects of doing the job so to speak. And so, when I think about the banking system, I think about the things that people care about. They care less about who cashes their check or who they get their direct deposit about. They think about when I'm doing the major things in life, like buy my home or back where I grew up, when I grew up and, and in my hometown, you had to save for Christmas so, you had Christmas savings clubs. Those things that are important to you, those important parts of life. It feels good to walk into an institution that knows a little bit about you. They know that you're saving to get that Barbie house for your daughter named Nikita, because the only way that you can afford that is if you save a little bit at a time over the whole year. And so, banks, the financial industry has, they have a real big opportunity to embrace and support this sense of belonging. And that I think will help us go and take it to the next level.

**BRIAN SULLIVAN:** Interesting, you used the word 'opportunity' to describe what diversity equity and inclusion means for, for the banking industry itself. And as we wind our conversation down Madam Chairman, what would you say to bankers out there and to their customers, as it relates to these three words we've been talking about?

**CHAIRMAN MCWILLIAMS:** I would say that there is a tremendous opportunity for us as Americans and I don't take that lightly, I had to earn my rights to be an American and the privileges that come with it. I would say that we have a tremendous opportunity at this point in history to create an inclusive society and a society where little Jelena's can succeed regardless of how much money when they come to the United States. Little Nikita's can succeed from a small, tiny place in rural Georgia. And in order for us to get that, in order for us to get that last mile of our efforts the civil rights area and economic inclusion, et cetera, done, we need to get people to become a part of the banking system. With that come opportunities, to Nikita's point about owning a home and not having to do layaway or savings plan for Christmas. There's an opportunity for us to reach that seven million unbanked households that happen to be disproportionately people of color and low- and moderate-income communities, and to bring them into the fabric of the financial system, because it will work for everybody.

And I think when we talk about this, it's, really is a symbiotic union. This is not just, you want people to get banked because it's good to be banked. But more people we can bring into the system, better we're going to be at eradicating poverty in the United States...better we're going to be in creating as much of a financial equality as we can as a society...better we're going to be at making sure that people in the United States of America feel like they belong and belong at the same time...better we're going to be at creating opportunities for the next generations of Americans from all walks of life to succeed in this country.

But also, it provides an opportunity for banks to educate consumers, to basically offer new products and services to consumers. And in this battle, that Nikita mentioned between, you know financial services at the entities that are not banks and at banks you know, you want people to get banked so that frankly, selfishly from a regulatory perspective, we can regulate that and regulate appropriately. But also, because over time they will build credit histories and with credit histories, they will become savvy consumers, and they will be able to have banks and other financial players compete for their business.

**BRIAN SULLIVAN:** Well, we've been talking about these three words, diversity, equity, and inclusion and for those who want more reading on this, the FDIC's Diversity, Equity and Inclusion strategic report is easily found on the FDIC website, FDIC.gov. And I just want to thank you, Chairman McWilliams for joining us today. You too Nikita Pearson. It's been a marvelous discussion. Thank you both so much.

**CHAIRMAN MCWILLIAMS:** Thank you and Nikita, thank you.

**NIKITA PEARSON:** Thank you.