FEDERAL HOME LOAN BANKS

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

Why GAO Did This Study

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.

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.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Men</th>
<th>Women</th>
<th>Racial or ethnic minority</th>
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<tbody>
<tr>
<td>2015</td>
<td>81%</td>
<td>18%</td>
<td>8%</td>
</tr>
<tr>
<td>2018</td>
<td>77%</td>
<td>23%</td>
<td>10%</td>
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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.

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.