



HERRING BANK

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February 6, 2014

Monica Jackson
Office of the Executive Secretary
Bureau of Consumer Financial Protection
1700 G Street, NW
Washington, DC 20552
Docket No. CFPB-2013-0029

Robert E. Feldman, Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Robert deV. Frierson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551
Docket No. OP-1462

Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
Mail Stop 9W-11
400 7th Street, SW
Washington, DC 20219
Docket ID OCC-2013-0014

Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
File Number S7-08-13

RE: Proposed Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity Policies and Practices of Banks Regulated by the Agencies

Dear Sir or Madam:

Herring Bank, located in Amarillo, Texas has been in existence since 1899. We have \$472,650,000 in assets, 13 branches and 207 employees. We are a community bank with a substantial number of Hispanic and African American customers. A visit to any of our branches will show the guest a diverse group of customers and employees that reflect the unique attributes of the each community. For a community bank to survive, especially in these difficult times, they need to meet the credit needs of their customers. As such, having a group of employees that reflect the demographics of our community is essential to our survival. We are committed to improving diversity in the workplace. We do not need a new directive from Washington, D.C. to prove how supportive we are of women and

minorities in the workplace. Rather, we have long shown our commitment to women and minorities, and our current employment numbers demonstrate this commitment.

As you are well aware, the purpose of Section 342 of the Dodd-Frank Act is to require each federal banking agency to establish an Office of Minority and Women Inclusion (OMWI) to ensure that the agencies incorporate diversity practices into their own hiring and retention policies. In what appears to be a legislative afterthought, Section 342(b)(2)(C) gives each agency's OMWI Director an additional duty to develop standards for assessing the diversity policies and practices of entities regulated by that agency. Most significantly, the statute states that nothing in the provision can be interpreted to require any specific action on the part of a regulated entity based upon the assessment.

Despite this statutory limitation, the *Proposed Interagency Policy Statement* offers a number of standards for assessing diversity policies and practices of regulated banks that go beyond what the statute requires and, in many cases, have little to do with actual banking practices and procedures in the state of Texas.

The policy statement urges banks to have an organizational commitment to diversity and inclusion. This would include the appointment of a diversity czar in senior management, a diversity and inclusion policy approved by management and the board of directors, continued education and training, and an ongoing, proactive effort to promote diversity in hiring, retention and promotion. These criteria would also apply to the selection of board members and senior management.

Our compliance costs have greatly increased over the last few years, especially after the passage of the Dodd-Frank Act. We don't have the personnel, the training or the software to compile the various metrics suggested in the proposal. And, even if we did we do not believe there would be a change in our hiring or retention practices.

Further, the policy statement urges banks to establish a supplier diversity policy to allow minority-owned and women-owned businesses to compete in all types of contracts including the issuance of any debt, equity or security, the sale or management of assets, and the making of equity investments. Banks are urged to establish methods to evaluate supplier diversity, including the use of metrics and analytics.

For our bank, the implementation of the recommendations would be extremely costly and would not result in any enhanced diversity in either the bank workforce or in third party contractors. We don't have the ability to assess the diversity practices of our suppliers. If we were required to attempt to do so it would be just one more expensive regulatory burden that we would have to absorb.

Another troubling proposal in the *Proposed Interagency Policy Statement*, again without any statutory support, urges banks to promote transparency in their efforts toward organizational diversity and inclusion. Banks are urged to make available to the public annually through websites and other means diversity strategic plans, and "progress made toward achieving diversity and inclusion in workforce and procurement activities." Evidence of progress may include current workforce and supplier demographics and current employment and supplier opportunities. In no other aspect of federal bank regulation, other than CRA disclosures, is there such a requirement. In a worst-case scenario, one can envision a new cottage industry of attorneys and vendors using the public information to harass banks into using certain third-party contractors.

It is worth noting the damage that the Dodd-Frank Act has already done to the community banking industry in Texas. The compliance costs driven by the Act have already led to a rapid pace of bank consolidation. Despite the relative strength of our economy, there are 100 fewer banks in Texas today than there were three years ago. As written, the new Section 342 proposal would only add to the existing burdens on community banks and be yet another reason to sell. We are fully aware that the *Proposed Interagency Policy Statement* is being characterized as merely "suggestions" or "guidelines" for the assessments of bank diversity policies, but, if past is prologue, guidelines often become enforced as if they were statutory requirements

Please withdraw this proposal and come up with a simpler, more effective and less costly way for community banks to comply with this section of the Dodd-Frank Act.

Thank you for the opportunity to share our views.

Sincerely,

A handwritten signature in black ink, appearing to read 'Danny Skarda', with a stylized flourish at the end.

Danny Skarda
President/ CEO
Herring Bank