

United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

November 9, 2021

Memorandum

To: Members, Committee on Financial Services
From: FSC Majority Staff
Subject: November 9, 2021, D&I Subcommittee Hearing entitled, “There's No Pride in Prejudice: Eliminating Barriers to Full Economic Inclusion for the LGBTQ+ Community”

Diversity and Inclusion Subcommittee will host a hearing entitled, “There's No Pride in Prejudice: Eliminating Barriers to Full Economic Inclusion for the LGBTQ+ Community” on November 9th, 2021, at 12:00 pm ET on the virtual meeting platform Cisco Webex. There will be one panel with the following witnesses:

- **Mr. David Johns**, Executive Director, National Black Justice Coalition
- **Mx. Spencer Watson**, President and Executive Director, Center for LGBTQ Economic Advancement and Research
- **Ms. Tanya Asapansa-Johnson Walker**, Co-founder New York Transgender Advocacy Group and Transgender Women's Support Group Facilitator, SAGE
- **Mr. Todd Sears**, Founder & CEO, Out Leadership, LLC
- Republican Witness, TBD

Overview

Despite some progress in recent years, individuals in the lesbian, gay, bisexual, transgender, queer and broader (LGBTQ+)¹ community still face barriers to employment, housing, and other financial services. In June 2020, the United States Supreme Court issued a decision that extended protections against firing based on sexual orientation or gender identity, paving the way for federal agencies to do more to protect the LGBTQ+ community.² A study by the National Academy of Sciences found that same-sex couples were 73.12% more likely to be denied a loan than different-sex co-applicants with similar characteristics, a pattern that persisted over the time period covered, and paid higher fees and interest (2 to 20 basis points more, which is equal to \$8.6 million to \$86 million nationwide every year). Additionally, many members of the LGBTQ+ community report that discrimination negatively affects their work environment, resulting in lower-income and fewer advancement opportunities for LGBTQ+ individuals than some other groups in the workforce. Research has also shown that LGBTQ+ individuals are more likely to experience homelessness compared to cisgender straight individuals. A study published by the Williams Institute in 2020 reported that 17%

¹ The term LGBTQ+ stands for lesbian, gay, bisexual, transgender, queer (or questioning), and the plus is intended to include additional identities such as pansexual, intersex, and asexual. It is a term used to generally refer to individuals who identify under this umbrella term. In this memo, research is cited that focused on different communities within the LGBTQ+ community, therefore there are specific references to the LGBT (lesbian, gay, bisexual and transgender), and LGB (lesbian, gay and bisexual) community when other identities were not included in the cited research.

² American Bar Association, [Landmark Supreme Court LGBTQ Ruling also Presages Some Limits on Protections](#) (Jun. 23, 2020); *See also* National Low IncomeHousing Coalition, [HUD Withdraws Equal Access Rule](#) (Apr. 26, 2021)

of LGB individuals experienced homelessness in their lifetime compared to only 6% of cisgender straight individuals. This hearing will examine solutions for removing barriers for LGBTQ+ individuals to experience full economic inclusion, including accessing financial services, safe and stable housing, and best practices for creating a more inclusive work environment, especially in the financial services industry.

Accessing Financial Services

The LGBTQ+ community experiences continued challenges when accessing financial services particularly when opening a bank account and staying banked. According to a 2015 survey, 21% of LGBT people are “unbanked,” meaning they don’t have at least one basic bank product like a checking or savings account.³ When combined with the higher rates of poverty⁴ and unemployment⁵ experienced within the LGBTQ+ community, unbanked LGBTQ+ consumers are more likely than their non-LGBT peers to be exposed to predatory products like payday loans, with annual interest rates as high as 391%.⁶ Absent access to more affordable, mainstream banking services, LGBTQ+ consumers increasingly rely on other high-cost products like check cashing and prepaid cards.⁷

Being unbanked is not the only reason LGBT consumers are exposed to predatory lending,⁸ as LGBT borrowers in the U.S. also experience “widespread credit discrimination” when trying to use mainstream financial institutions. LGBT people “frequently report being denied a loan or line of credit based on their sexual orientation, gender identity, or gender expression,” even when qualified.⁹ Nearly 1-in-3 (32%) LGBTQ+ student borrowers reported discrimination from a financial aid advisor or professional in 2018.¹⁰ Recently, CFPB determined that discriminating against LGBTQ+ applicants is illegal under the Equal Credit Opportunity Act and cited the 2020 supreme court ruling that expanded workplace protections to gay and transgender people.¹¹

Misgendering¹² and deadnaming¹³ are endemic in the financial services industry, in credit reporting, and during customer service interactions. One transgender woman in Seattle had her bank account frozen because the bank’s phone system recognized her voice as a “man.”¹⁴ This kind of discrimination alienates and shuts LGBTQ+ people out of financial institutions, further pushing them toward predatory products that drain paychecks and trap people in cycles of inescapable debt.¹⁵ Moreover, while the credit reporting system frequently accommodates changes to a cis-gender

³ Center for American Progress and Movement Advancement Project, [Paying an Unfair Price: The Financial Penalty for LGBT People of Color in America](#) (Apr. 2015).

⁴ 22% of LGBT people in the U.S. live in poverty versus 16% of cisgender straight people living in poverty according to the UCLA School of Law Williams Institute, [LGBT Poverty in the United States](#) (Oct. 2019).

⁵ Sharita Gruberg, [Same-Sex Couples Experience Higher Unemployment Rates Throughout an Economic Recovery](#), Center for American Progress (May 2020).

⁶ Federal Reserve Bank of St. Louis, [How Payday Loans Work](#) (July 30, 2019).

⁷ *Id.*

⁸ Sejal Singh and Joe Valenti, [In Trump's Sights: Dismantling Equality in Lending](#), Advocate.com (Feb. 2017)

⁹ Center for LGBTQ Economic Advancement & Research, [The LGBTQ Wealth Gap](#) (Accessed November 3, 2021).

¹⁰ *Id.*

¹¹ Consumer Financial Protection Bureau, [CFPB Clarifies That Discrimination by Lenders on the Basis of Sexual Orientation and Gender Identity is Illegal](#) (Mar. 9, 2021).

¹² Misgendering is the misclassification of a person’s gender identity, an experience that leads to heightened stigmatization and psychological distress. American Psychological Association, [A minority stress perspective on transgender individuals’ experiences with misgendering](#) (2019).

¹³ Deadnaming: to speak or address someone by their deadname, which is the name that a transgender person was given at birth and no longer uses upon transitioning, [Merriam-Webster](#) (2012, 2014).

¹⁴ Georgia Diebelius, [Transgender woman’s bank account frozen because she ‘sounded like a man’ on phone](#), Metro (Sep. 2018).

¹⁵ *Id.*

consumer's last name—as a result of a marriage or divorce— transgender consumers who undergo a full name change have more difficulty doing so.¹⁶ There is currently no streamlined process for updating one's first name and last name, often resulting in incomplete credit histories.¹⁷ As a result of advocacy from LGBTQ+ affinity groups, Equifax recently released guidance on how individuals can more efficiently change their full names in the credit report system.¹⁸

Employment Barriers

Within the financial services industry, firms continue to prioritize gender and racial diversity, often overlooking the LGBTQ+ community.¹⁹ Research by LGBT Great found that 70% of investment companies were not aware of LGBT+ diversity and inclusion concerns.²⁰ Additional findings from that study reveal that 82% of LGBTQ+ employees believed that their career advancement was influenced by the LGBTQ+ acceptance at the firm.²¹ With few avenues for advancement, LGBTQ+ employees are rarely considered for board positions. Of the 5,670 board seats in the Fortune 500, only 25 seats (0.4%) are held by out LGBTQ+ people, and some of those seats are held by the same individuals.²² Of the 25 LGBTQ+ seats, only two are held by LGBTQ+ people of color.²³ Recently, Nasdaq Inc. implemented a new diversity requirement that may increase representation; the rule requires “at least one woman and one person from an underrepresented minority or from the LGBTQ+ community on their boards, or explain why they do not meet these criteria.”²⁴

Currently, there is scarcity in data related to employment discrimination towards LGBTQ+ employees within the financial services industry because data is not currently part of the EEO-1 data collected by firms.²⁵ However, more broadly, research suggests that bias creates a multitude of barriers to gaining and maintaining employment for the LGBTQ+ community. Lesbian, gay, and bisexual (LGB) individuals are twice as likely to be unemployed or uninsured compared to heterosexual individuals.²⁶ LGBT adults are more likely to report being denied a job or a promotion, having received negative job evaluations, and being fired compared to non-LGBT adults.^{27,28,29} A 2021 survey from the Williams Institute found that 46% of LGBTQ+ workers reported discrimination at their workplace, including being harassed at work, excluded from company events, and denied additional work hours.³⁰ LGBTQ+ people of color face additional discrimination due to their intersecting racial and gender identities and/or sexual orientation. As a result of the COVID-19 pandemic, LGBTQ+ people of color were more likely to face unemployment, reduced hours at work, and difficulty paying bills.³¹ Research from the National

¹⁶ CLEAR Finance Chat, [Trans & Queer Credit Reporting Issues with Billie Simmons from Daylight](#) (Mar. 5, 2021).

¹⁷ CLEAR, [\[FYI\] Trans & Nonbinary Folks Can Start Changing Their Names on Credit Reports](#) (Mar. 31, 2021).

¹⁸ Equifax, [How Transgender People Can Change Their Name On Their Equifax Credit Report](#) (May 2020).

¹⁹ Sonia Rach, [Financial services firms unite for LGBT initiative](#), FT Adviser (Jun. 24, 2021)

²⁰ *Id.*

²¹ *Id.*

²² Out Leadership, [Visibility Counts: The LGBTQ+ Board Leadership Opportunity](#) (Nov. 2020).

²³ *Id.*

²⁴ Sagalow, Irum, & Gull, [Nasdaq Aims to Boost Diversity On Bank Boards](#), S&P Global Market Intelligence (Sep. 1, 2021)

²⁵ US Department of Labor, [EEO-1 Report Frequently Asked Questions](#) (accessed Nov. 3, 2021).

²⁶ Charlton BM, Gordon AR, Reisner SL, et al., [Sexual orientation-related disparities in employment, health insurance, healthcare access and health-related quality of life: a cohort study of US male and female adolescents and young adults](#), BMJ Open (May 2018).

²⁷ Meyer, I.H., [Experiences of Discrimination among Lesbian, Gay and Bisexual People in the US](#), The Williams Institute (2019).

²⁸ *Id.*

²⁹ [Understanding Issues Facing LGBT Older Adults](#), Movement Advancement Project and SAGE USA (May 2018).

³⁰ Sears, Mallory, Flores, Conron, [LGBT People's Experiences of Workplace Discrimination and Harassment](#), The Williams Institute (2021).

³¹ [The Impact of COVID-19 on LGBTQ Communities of Color](#), Human Rights Campaign, PSB Research (2020).

LGBTQ+ Task Force found that Black transgender people in particular experience an unemployment rate at two times higher than the overall transgender rate and four times the rate of the general population.³² Ultimately, difficulties in securing and maintaining employment negatively impact a LGBTQ+ individual's lifetime income and earnings. Additionally, transgender women of color in particular are more likely to be involved in sex work because of barriers to traditional employment and workforce discrimination.³³

LGBT individuals who can maintain employment are more likely to work in entry-level positions, compared to more senior levels.³⁴ Three out of 20 LGBTQ+ women believe that their sexual orientation will negatively affect their career advancement; this number is even higher for men at six out of twenty.³⁵ The inability to benefit from career mobility directly affects income and earnings. For example, LGBT households are 1.5x more likely to earn less than \$25,000 a year compared non-LGBT households.³⁶ Black transgender people in particular are more likely to live in poverty and earn less than \$10,000 a year.³⁷ Differences in employment level and subsequently income ultimately exacerbate the income and savings gap between LGBTQ+ workers and their cis-gender and heterosexual peers.³⁸

Housing and Mortgage Barriers

LGBTQ+ adults face barriers to homeownership and are more likely to rent compared to non-LGBT adults.³⁹ On average, LGB individuals face lower rates of homeownership (49%) compared to the overall United States population (64%).⁴⁰ These rates are even lower for LGBT persons of color; while White LGBT individuals own homes at a rate of 58%, just 35% of LGBT Latinx individuals and 30% of LGBT Black individuals own homes.⁴¹

Low rates of LGBT homeownership can be partially explained by the inability to accumulate savings –because of employment barriers⁴² – however, bias and discrimination also negatively affect the home buying process.⁴³ Findings from the Virginia Transgender Health Initiative Study indicate that 9.1% of transgender respondents experienced housing discrimination.⁴⁴ Among these respondents, people of color were significantly more likely to report having experienced housing discrimination than White respondents.⁴⁵ Research funded by the U.S. Department of Housing and Urban Development found that LGBT individuals are less likely to receive responses about rental units and are even shown

³² National LGBTQ Task Force, [New Analysis Shows Startling Levels of Discrimination Against Black Transgender People](#) (accessed Oct. 27, 2021).

³³ Center for LGBTQ Economic Advancement & Research, [Shut Down & Shut Out: Access to Financial Services and Online Payments for Sex Workers in the U.S.](#) (2021).

³⁴ Ellsworth, Mendy, Sullivan, [How the LGBTQ+ community fares in the workplace.](#), McKinsey & Co., (2020).

³⁵ *Id.*

³⁶ *Id.*

³⁷ [New Analysis Shows Startling Levels of Discrimination Against Black Transgender People](#), National LGBTQ Task Force (accessed Oct. 27, 2021)

³⁸ [The LGBTQ Wealth Gap Infographic](#), Center for LGBTQ Economic Advancement & Research (2020).

³⁹ [The LGBTQ Community: Buying and Renting Homes](#), Freddie Mac (May 2018).

⁴⁰ *Id.*

⁴¹ *Id.*

⁴² [The Income & Savings Gap](#), Center for LGBTQ Economic Advancement & Research (accessed Oct. 27, 2021).

⁴³ *Id.*

⁴⁴ Judith Bradford et al., [Experiences of transgender-related discrimination and implications for health: results from the Virginia Transgender Health Initiative Study](#), American Journal of Public Health (Oct. 2012)

⁴⁵ *Id.*

fewer units than others, which increases the time it takes to find a home.^{46,47} This bias in the home search also makes the home buying process more costly for people with low or fixed incomes as well as those with inflexible work schedules.⁴⁸

When applying for mortgages, same-sex couples are more likely to be denied loan applications and pay higher mortgage rates than different-sex loan applicants.⁴⁹ Specifically, LGBTQ+ individuals are 73% more likely to be denied residential mortgages.⁵⁰ Research from Iowa State University suggest that LGBTQ+ homeowners overpay up to \$86 million each year for their home mortgages.⁵¹ Same-sex applicants who are low-and moderate-income (LMI) experience mortgage application denials at a higher rate (16%), compared to heterosexual couples that are LMI (12% denial rate) and same-sex couples that are middle and upper income (9% denial rate).⁵² After navigating barriers in securing housing, same-sex couples are more likely to buy homes in LMI neighborhoods.⁵³ The National Transgender Discrimination Survey found that 56% of Native American, 52% of Black, 51% of Latinx, transgender respondents moved into a less desirable home or apartment because anti-transgender bias forced them out of better housing.⁵⁴

The impact of housing discrimination leads to housing instability and homelessness among LGBT individuals.^{55,56} An NIH funded study found that 30% of transgender adults in a representative US sample reported moving twice or more often in the prior two years compared to 11% of cisgender adults.⁵⁷ In a survey conducted by the LGBTQ+ task force, 41% of Black transgender respondents said they had experienced homelessness at some point in their lives, more than five times the rate of the general U.S. population.⁵⁸ Homelessness and housing instability dramatically increase risk of violence victimization, exploitation, and poor health.^{59 60}

Legislation

- [H.R. _____](#), *to amend the Dodd-Frank Wall Street Reform and Consumer Protection Act to expand the role of the Office of Minority and Women Inclusion to also support people who identify as lesbian, gay, bisexual, transgender, or queer (LGBTQ)*. This bill would help to ensure the fair inclusion of LGBTQ people in management, employment, and business activities.

⁴⁶ Friedman, S., et al., [An estimate of housing discrimination against same-sex couples](#),

Office of Policy Development and Research, U.S. Department of Housing and Urban Development (2013).

⁴⁷ Levy, D.K., et al., [A Paired-Testing Pilot Study of Housing Discrimination against Same-Sex Couples and Transgender Individuals](#), Urban Institute (2017).

⁴⁸ *Id.*

⁴⁹ Richardson, Kali, [Same-Sex Couples And Mortgage Lending](#), National Community Reinvestment Coalition (Jun. 2020).

⁵⁰ *Id.*

⁵¹ Hua Sun, Lei Gao, [Lending practices to same-sex borrowers](#), Proceedings of the National Academy of Sciences of the United States of America (May 2019).

⁵² *Id.*

⁵³ Richardson, Kali, [Same-Sex Couples And Mortgage Lending](#), National Community Reinvestment Coalition (Jun. 2020).

⁵⁴ Jack Harrison-Quintana et al., [Injustice at Every Turn: A look at Black respondents in the National Discrimination Survey](#), National Center for Transgender Equality (accessed Oct. 29, 2021).

⁵⁵ James, S.E., et al., [The Report of the 2015 U.S. Transgender Survey](#), National Center for Transgender Equality (2016).

⁵⁶ Morton, M.H., et al., [Prevalence and Correlates of Youth Homelessness in the United States](#), J Adolesc Health, 2018. 62(1): p. 14-21

⁵⁷ Meyer, I.H., [Experiences of Discrimination among Lesbian, Gay and Bisexual People in the US](#), The Williams Institute (2019).

⁵⁸ [New Analysis Shows Startling Levels of Discrimination Against Black Transgender People](#), National LGBTQ Task Force (accessed Nov. 1, 2021)

⁵⁹ *Id.*

⁶⁰ Conron, K., et al., [Our Health Matters: Mental Health, Risk, and Resilience among LGBTQ Youth of Color Who Live, Work, or Play in Boston](#), The Fenway Institute (2015).

- [H.R. _____](#), **Promoting Financial Inclusion for LGBTQ+ Individuals Act**. This bill would require the Federal financial regulators to issue guidance on steps that regulated companies can take to be inclusive of customers that self-identify as lesbian, gay, bisexual, transgender, or queer.