

# National Gay & Lesbian Chamber of Commerce

Statement Submitted to:

Subcommittee on Oversight  
House Financial Services Committee  
Diversity in Financial Services  
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On behalf of the National Gay & Lesbian Chamber of Commerce (NGLCC) and the over 800,000 lesbian, gay, bisexual, and transgender (LGBT) small businesses and self-employed individuals within the American LGBT community, we are honored and pleased to submit written testimony today before the House Financial Services Oversight Subcommittee regarding diversity in financial services.

The NGLCC is the only national not-for-profit advocacy organization specifically dedicated to the economic advancements and opportunities of the American LGBT business community. The NGLCC is committed to forming a broad-based coalition, representative of the various interests of American LGBT owned and friendly businesses, professionals, and students of business to increase economic opportunities among membership, corporate interests and federal, state and local governments.

Founded in November of 2002 in the face of a non-existent economic identity for our community, the NGLCC has moved to quickly become the largest LGBT business advocacy organization in the world. Membership includes nearly 50 state and local chapters as well as three international. Additionally, the NGLCC is helping to form an additional six LGBT chambers in the US.

The leadership of the NGLCC has set a course that will allow for easier understanding and participation in the growth and development of LGBT Business Enterprises (LGBTBEs) and how LGBT business owners, entrepreneurs, and professionals can better navigate the often complex and confusing landscape of the financial services industry. It is the unfortunate experience of millions of LGBT Americans that homophobia and ignorance has been the silent killer of developing and growing LGBT enterprises and a better quality of life for all LGBT Americans. Too often it is the experience that LGBT Americans feel compelled to remain in the closet to safeguard their personal and professional financial condition.

The backbone of the American economy is small business, and the strength of the American way of life is represented in a strong and vibrant middle class. That millions of LGBT Americans live half lives in the financial marketplace, and the workplace is simply not in the best interest of a strong, vibrant and competitive American economy.

It is a universal truth that as human beings, we are at our best when we can represent ourselves as whole and complete individuals, encouraged to contribute with vibrant creative energy the many talents unique to each of us as individuals. That LGBT Americans are shackled by institutionalized discrimination is not only shameful, it is not good business.

In a fiercely competitive global economy, America can not afford to ignore the needs of this large and talented segment of its populace, and America can not afford to miss the vast opportunities left unrealized.

The two major themes of our comments center on the subtle and not so subtle nuances and misunderstandings most often encountered by LGBT businesses and entrepreneurs as they seek the resources, assistance, and support necessary either to start or grow a business. Secondly, we will address the need for a strong commitment to developing an understanding LGBT diversity issues within the senior management ranks of financial services companies.

The CEO of a company, the members of the Board of Directors must be educated and develop a personal commitment to understand the seriousness of what's at stake - the competitive disadvantages and commercial liabilities attendant with ignorance of this market, not to mention the diminished quality of life for a major segment of the American workforce.

To assist the committee in better understanding of the market and needs of the American LGBT community, we have provided a basic overview of the accepted market characteristics revealing why the American LGBT community is still a virtually untapped market, and as such a tremendous opportunity for those financial service companies willing to commit to learning and explore the vast potential therein.

## **LGBT Businesses and Financial Services**

The LGBT struggle for equality which is a daily headline and a topic on Main Street is also one very much on the agenda of Corporate America. Hiring the best qualified individuals and retaining them is a first priority for every successful business in America. Big corporation or small business, there is no doubt that the real assets of the company are the people that are employed within that company.

While this is an election year, and once again, sadly, the LGBT community and our decades old struggle for equality is being used for political gain by both parties, we at the National Gay and Lesbian Chamber of Commerce believe that everyone on both sides of this issue can agree it is more important to assure that millions of men and women who own small businesses, and are vital contributors to the American economy, are fully supported at all levels of government.

These businesses and middle class Americans who are the life's blood of our free society, who pay the lions share of taxes, create millions of new jobs, furnish healthcare for their employees and who simply want to improve their quality of life and also of the lives of those they love, are deserving of the full, undivided attention and support of all elected officials within the government.

It is the main mission of the NGLCC to fight for opportunities for those in the LGBT community at the federal, state and local government levels. Beyond this, we are taking our cause, and have been enthusiastically received by many of America's largest corporations. In fact, in many ways we can look to corporate America as the leading force behind change, and a force which we believe will compel the government to partner with them in support of such worthy legislative initiatives as passage of the **Employee Non Discrimination Act. - ENDA**

An excellent example of such an initiative is evidenced with IBM. IBM has for decades been a leader of LGBT equal rights in the workplace. In all 130 countries in which IBM does business the company has the same nondiscrimination policy as it relates to sexual orientation, regardless of what the government or cultural views or laws on the subject. Additionally, IBM actively seeks LGBT candidates and has a staffed program dedicated to LGBT sales and talent. In addition, IBM in a watershed initiative with the NGLCC is leading corporate America in not only marketing to the LGBT community, but also buying goods and services from the LGBT community.

In comparison, many in the financial services industry have responded with nondiscrimination policies, but have largely been absent in terms of product and services offerings suited to the specific needs of the LGBT community. It bares mention that the NGLCC is currently working with financial service companies like JPMorgan Chase and Wells Fargo & Company, and the Gay Financial Network, to make a concerted and comprehensive effort to reach out to the LGBT community through understanding and program offerings that meet specific financial needs of the LGBT customer. While we are working hard with members of the financial services community to educate them on financial issues relating to the LGBT community, there is still a great deal of work to be done, education needed to breakdown the walls of ignorance and intolerance.

Not unlike the stigma that permeated the civil rights era for African Americans, many LGBT Americans outside of major metropolitan areas find an unwelcoming or unknowledgeable reception when accessing financial services. The distortions of reality by groups opposed to full and lawful inclusion of LGBT Americans in the whole of society have left many individuals unwilling to and fearful of disclosing the nature of their sexual orientation when meeting with a financial services representative.

Disclosing one's goals in life, one's dreams and financial aspirations to a financial planner is critical to preparing a successful financial strategy. For a gay person to conceal their sexual orientation or the status of their personal relationships to a financial planner would be no different than a person visiting a doctor and not telling the doctor about a chronic pain they have been experiencing.

As such in a hostile and unwelcoming – if not uninformed environment, the LGBT individual receives inadequate assistance. Questions are poorly answered or not answered at all. Again, it is paramount that diversity training with respect for LGBT issues be addressed in the financial services industry. It is

critical to properly and adequately address the financial needs of the LGBT person. Doing so means creating an environment wherein the LGBT consumer and employee can feel respected and comfortable in revealing their sexual orientation or gender identity. It is vital to the interest of this country's economy, and as such is also important to America's national security interest.

While we know that the commitment to a nondiscriminatory work environment is in place from the top management in most major financial services companies, the question and challenge remains to ensure that it is being practiced at every level of the corporate structure. Is the same belief being practiced by the branch manager in Gillette, Wyoming as it is by the CEO in New York City? Is the zero tolerance policy that the mid level manager at headquarters must adhere to the same for the teller in Mobile, Alabama? Furthermore, is the understanding of the consumer's needs at the local branch in Peoria, IL the same as it is at the one in San Francisco's Castro? According to information compiled by the NGLCC and from LGBT individuals and couples across the country, the answer is most certainly no.

Given these obvious and unfortunate disparities, once again, the NGLCC believes that passage of the Employee Non Discrimination Act (ENDA) is essential to leveling the playing field, improving the ability of companies to find and retain quality employees, improving productivity, stirring consumer activity, and as such is in the national economic best interest.

As elected representatives some of you may not approve of the LGBT lifestyle – but making sure that the workforce is reaching its full potential and thus consuming products and services, and yes – paying taxes...is attendant to your primary responsibilities as elected representatives, and we believe must override any issues of personal preference.

### **Example**

The easiest way of explaining the problem faced by many is the following example of two separate couples, one heterosexual and one homosexual, seeking capital to start their small business. The heterosexual couple enters the lending institution with self identified status as a married couple. Along with this knowledge, the bank representative knows of certain questions to ask and allows for a level of preconceived comfort on the part of the applicants. However, in many cases, especially those in less urban areas, the gay couple is more apprehensive about stating the status of their relationship because of the unknown response of the bank representative to the applicants' sexual orientation and the inherent and valid fear of how disclosure might affect the outcome of the loan application.

However, this is not the only problem that can occur. In an atmosphere wherein open and honest discussion is not visibly encouraged – where LGBT individuals are not specifically told this is a 'welcoming institution to their interest' many unique questions might go unanswered. Without prior knowledge and thought, and proper training the banking representative is not properly equipped to provide the best advice, products and services suitable for this consumer. This issue speaks to the important and often overlooked need to "say it" – that the institution is "Gay Friendly".

Without this obvious expression of welcome to a gay person, it is nearly impossible to know 1) what to expect when talking to the financial professional and 2) whether or not that individual even if they are gay friendly – if they have been properly trained about the various unique strategies that need to be considered given the unfortunate discrimination and unequal status in the absence of legal marital status for committed LGBT relationships in our society.

An example:

A good example of unique issues for a gay couple would be property transfer of the business should the one 'lifes' partner be faced with the death of the other. In most cases, the heterosexual survivor would receive ownership of the business because of laws surrounding the marriage of the man and woman. However, if the same occurs for the homosexual couple and the proper legal agreements have not been drawn up when starting the business; the surviving partner could see a legal battle with

the family of the deceased over control of the business. If the LGBT individual should die without a will, the laws of their state will determine what each of their relatives will receive. Even more egregious, since the deceased's partner is not a relative, they will get nothing unless there is some legal arrangement prior to the death. However, even if the deceased has a will, his or her parents, siblings, or adult children could challenge it. This seems highly likely in situations where there was not approval of the relationship. In addition to being emotionally taxing and complicated, regardless of whether or not it is successful, it will most certainly will be expensive and time consuming.

These are but a small sampling of reasons that applicants should be told that it is OK to disclose their sexual orientation and the status of the relationship with their financial services representative. That the office is welcoming to LGBT individuals, and that the financial services professional has been properly trained to service the needs of this individual. The financial services representatives must be knowledgeable of the differences and challenges that go along with the financial needs of the LGBT couple. In this scenario, the financial services representative is then able to ask the needed questions relating to the establishment of the business and the applicants feel comfortable and well served by the institution.

Notwithstanding the knowledge that being versed on issues surrounding sexual orientation or gender identity makes for a more comfortable engagement between customer and representative, it also makes smart business sense. We will explore the business case for diversity in the following segment by giving an overview of the LGBT community.

### **LGBT Community Overview**

The LGBT population accounts for \$513 billion in consumer spending power this year alone. It is expected to grow to \$608 billion by 2007<sup>1</sup>. The LGBT population is second to only the African American and Hispanic populations in terms of spending power of a diverse group and is estimated to have about half the population (estimated at 16-20 million). Moreover, LGBT individuals have more disposable/fluid income than their heterosexual counterparts. 94% of LGBT persons will purchase products and services from corporations known to be "gay friendly" -- simply put, loyalty counts in this community!

Further studies conclude that LGBT individuals take more than three times as many business trips each year when compared heterosexual counterparts. These figures heavily weigh towards the estimated \$54 billion LGBT travel market<sup>2</sup>. 76% have annual household incomes above the national average of \$40,000 and 30% have an annual income above \$100,000. <sup>3</sup>62 % believe it is important that the Financial Manager/Planner/Accountant be attuned to LGBT issues.

LGBT individuals are twice as likely to own a small business or be self employed as our heterosexual counterparts. This data is particularly compelling when comparing it with the Small Business Administration's conclusions that small businesses generate 60 to 80% of net new jobs annually, account for over 44% of all private sector payrolls, and create more than 50% of non-farm, private gross domestic product (GDP). The lesson: LGBT small businesses can no longer go unheard by elected officials and those in the financial services sector must realize LGBT enterprises are a positive force in the national economy.

It is widely know that being seen as "first to market" offers critical competitive edge in our community. In addition to financial service, there is still no clear leader in business services (supplies, overnight delivery services, etc.), hotel accommodations, health or other insurance, or telecommunication services.

### **LGBT Inclusion in Management and the Corporate Structure**

The NGLCC strongly believes that in the absence of legislation such as ENDA, American's who are lesbian, Gay, Bi-sexual, and Transgender, are severely and unfairly disadvantaged from attaining

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<sup>1</sup> Witeck-Combs Communications

<sup>2</sup> Community Marketing Inc, San Francisco, CA

<sup>3</sup> OpusComm/Syracuse University

professional advancement, and a higher quality of life. President Hoover once said 'your rights are not inherent, until they are written down on a piece of [legislative] paper'.

We believe that members of the LGBT community should be given equal opportunity to grow within the corporate structure. We believe that individuals should be promoted based on their qualifications not on the basis of their sexual orientation or gender identity. But we must sadly recognize that LGBT individuals and the American economy have for too long been under the spell to the silent killer of homophobia. Some leaders in corporate America understand this and have taken steps to address these critical issues. Others however, still have not discovered that as the statistics show that the average LGBT employee spends between 10 and 25% of his or work day worrying about harassment or being fired from their job because of their sexual orientation. While that fact alone is horrifying enough because of its emotional toll on the employee, the loss to the company of up to 25% of that employee's productivity should be enough to enforce existing nondiscrimination policies for companies that have them and a solid economic reason for those that do not have a policy to institute one.

Showcasing the ability of LGBT employees to move up in management, just like members of any other diverse group, will not only have a positive impact on the cultural image of the financial services institution, but it will also have an internal affect on the view of the employees towards the company for whom they work.

Understanding that your company not only accepts you for being who you are, but is not afraid to promote you will breed company loyalty and pride that make for lasting and productive employees. All this combined will make these financial institutions more attractive when outside members of the LGBT community look for an institution with whom to do business.

All of the above is in the best interest of maintaining a strong American economy and vibrant and free society.

Again, we are honored and pleased to present this testimony, and are available to address any questions or requests for further information the committee may have.

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