

AN EQUITY-FOCUSED APPROACH TO DEVELOPING A BANKING SERVICES RFP



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Introduction

For most institutions, the process of rebidding banking services is akin to cleaning the gutters: time consuming and worrisome, but necessary and worthwhile. To make this important “chore” even more difficult, there are a litany of vendors offering an unending menu of banking products and services – from large, name brand banks to regional banking partners to boutique fintech firms. During this process, it can be easy to overlook the equitable goals of an institution.

With the right approach and thoughtful attention, however, equity can become a powerful component of a banking services Request for Proposal (RFP) process and help to advance an institution’s broader goals.

Advancing Equitable Goals through Treasury

Different types of organizations may have unique approaches for implementing equitable treasury practices. For governmental and public treasuries, there may be legal requirements related to equity that must be addressed with potential vendors. With private organizations, such as in healthcare and some higher education institutions, there may not always be similar *legal* stipulations, but there are often (or ought to be) internal equity standards to be pursued. Regardless of entity type, **a banking RFP may present a surprising opportunity to advance broader equitable goals.**

For local governments, an important equity milestone may be whether potential banking partners effectively invest in their communities. Community lending initiatives such as small business loans, small farm loans, and community development loans are key indicators that





a potential banking partner places a tangible value on equity. For institutions of higher education, it may also be important to evaluate how potential vendors develop internal diversity, equity, and inclusion (DE&I) standards on par with values maintained by the university's community. With healthcare organizations, key issues may include how vendors support related research and charitable foundations. Fortunately, there are many thoughtful ways to incorporate these and other equity concerns into an RFP.

Examples of Equity in a Banking RFP

Common equity-centric proposal requirements include recognition of Minority and Women-Owned Business Enterprises (MWBE) and considerations for local vendors. Regardless of entity type, these conditions may be addressed in the criteria for evaluating proposal responses. By including at least 5 points out of 100 total points in the proposal scoring rubric or offsetting pricing valuations by a predetermined dollar amount for local vendors, **local banks and MWBE firms can experience a more level playing field with larger competitors.** While specific evaluation criteria may vary by jurisdiction, the central objective is to maximize the weighting for equitable criteria in a practical way.

During evaluation, an institution may also consider inviting local business owners, community leaders, and/or students to assist the evaluation committee. By making space for

these perspectives, potential vendors will be vetted by those most affected by the institution's equitable goals.

Further, an RFP can include specific questions to ensure that the DE&I practices of potential vendors align with the equity objectives of your organization. Examples of information that can be requested through an RFP to help evaluate a proposing firm's commitment to social responsibility include:

- Steps taken by the proposing firm to encourage diverse participation within its workforce, management, and the firm's own supplier contracting.
- Workforce composition statistics across all levels of the proposing firm.
- Efforts to promote career growth for minorities and women within the organization.
- Diversity of the proposing firm's Board of Directors or equivalent supervisory body.
- Metrics demonstrating the percentage of any outstanding loan portfolio attributable to local consumers, homeowners, and small businesses.

At the same time, it is important to recognize that equitable treasury objectives are complex and unlikely to be achieved solely through a simple scoring adjustment or question.

Equitable goals should be intentional, are constantly evolving, and represent just a step in the process to achieving equitable government.

Balancing Cost, Technology, and Equity

Larger, national banks often have the capacity to offer more cost-effective services combined with highly sophisticated products that can be difficult for local and regional banks to compete against. This can be especially pertinent for institutions with large operations or specialized needs dependent on investment in technology. For institutions also interested in developing and maintaining relationships with local and regional vendors, the operational and technological advantages of larger banking partners can be difficult to ignore.

One direct way that treasuries can make space for more diverse vendor participation is by carving out certain services within the RFP to bid separately. For example, an organization with a complex lockbox operation may struggle if required to forfeit a long-standing and highly customized relationship with an incumbent partner. In this case, the organization might consider bidding lockbox processing separately from other banking needs such as payroll, which can be processed without the need for highly sophisticated banking technology or large staffing. Under this model, the entity does not need to sacrifice potential service quality to open the procurement to a broader range of additional vendors.

Conclusion

Ultimately, the operational enhancements and cost savings resulting from a banking services RFP can be invaluable in supporting and funding a culture of change management. **Improving internal treasury processes may provide treasury staff with more capacity to devote time towards assisting in budgeting for equity efforts.**

Over the past five years, PFM's treasury consulting team observed an average of **39% savings** on banking fees among clients after the RFP process.

These **savings can be reallocated and budgeted toward equitable goals** which may have been previously difficult to fund.

If treasury creates a blueprint to adopt a number of these strategies, it can proactively contribute to creating a more equitable future for the communities it serves.

How PFM Can Help

As you seek to effectively address equity in your banking RFP, PFM's experienced professionals can assist. PFM is a leading provider of treasury consulting services to the public sector. We are not affiliated with any bank or trust company; we provide independent, objective advice.

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The strategies presented in this resource can be catalysts for enacting positive, incremental change within treasury organizations, and can aid in creating a change culture focused on equitable policies and outcomes. PFM is the marketing name for a group of affiliated companies providing a range of services. Consulting services described herein are provided through PFM Group Consulting LLC. For more information regarding PFM's services or entities, please visit www.pfm.com.

