

The Washington Post

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New Federal Reserve office seeks to increase minority contractors

By V. Dion Haynes, Published:
May 15

Ajay Bhatt, president of Falls Church-based SouthEastern Construction, said his chance meeting several years ago with the head of the University of Virginia's office of contract diversity proved fruitful. Bhatt eventually snared a contract that led to a steady stream of work replacing roofs and restoring masonry on historic buildings on the Charlottesville campus.

Now Bhatt, reeling from a downturn that has reduced his revenue by 60 percent, says he hopes that same man — Bill Cooper — can play a role in reviving his business. Cooper was recently appointed second in command in the Federal Reserve Bank of Richmond's new office of diversity and inclusion and wants to increase the pool of qualified minority- and women-owned contractors doing business with the sprawling operation that tracks economic conditions in a region spreading from Maryland to South Carolina.

“It's great to know the Federal Reserve is looking to seek out women and minority businesses,” said Bhatt, who last week attended a breakfast meeting at an Arlington hotel with Federal Reserve Bank of Richmond President Jeffrey M. Lacker and about a dozen or so area business people invited to offer their feedback on the program.

The office is mandated by the new financial reform law, or Dodd-Frank Act, to oversee diversity among in-house staff and businesses that contract with the Federal Reserve system and numerous agencies including the Treasury Department, Federal Deposit Insurance Corp. and the Securities and Exchange Commission. The law allows office directors to terminate contracts with vendors who have “failed to make a good faith effort to include minorities and women in their workforce.”

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The effort is not without its critics, some who fear it could lead to a quota system that would discriminate against whites.

“I envision this will be a litigation nightmare,” Mark A. Calabria, director of financial regulation studies at libertarian Cato Institute, said in a phone interview. “I would [sue] if I lost a contract and I didn’t think I did anything wrong.”

But Cooper said the program aims to encourage diversity without setting a target number of vendors.

“The only way they can get business with us is to earn it,” Cooper said in an interview, adding that the office plans to work with organizations that help small businesses qualify for federal contracts.

At the breakfast meeting at the Hilton in Arlington, Lacker solicited the business leaders’ on-the-ground impressions of the economy and suggestions on how the diversity office could better serve them.

Many said obtaining credit remains an obstacle for minority- and women-owned businesses.

“What no one is talking about is people who are afraid to even go after capital,” said Sharon R. Pinder, president and chief executive of the Pinder Group, a Clarksville, Md.-based consulting firm that helps businesses improve their operations.

The business leaders asked Lacker for his assessment of the nation’s economic recovery. He said he expected interest rates to rise anytime between the second half of this year and early 2013, a delicate decision based on balancing the need to curb inflation and the desire not to exacerbate an already high unemployment rate.

Lacker said he was gratified by signs of economic improvement — demand for exports is rising, which is helping to revive the manufacturing sector. Consumer confidence as well as demand for office equipment and software are up. “I think the fundamentals of growth are there — maybe not gangbusters, but they’re there,” Lacker said.

Still, he expressed concern that the housing market is dragging down recovery.

“Looks like we built too many houses — more than we needed — and we’re working through the stream of foreclosures,” he said.

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