

MEMORANDUM

To: Mayor Garcetti and Los Angeles City Council
From: Los Angeles Committee for Better Banks (LA-CBB)
Date: January 26, 2017
Re: (CF 09-0234-S3) Amendment to the Responsible Banking Investment Monitoring Ordinance

The Los Angeles Committee for Better Banks (LA-CBB) is a coalition of bank workers, community and consumer advocacy groups, and labor organizations coming together to improve conditions in the bank industry. Our mission is to hold banks accountable for their predatory practices that fleece its customers and we also work for just wages, uplifting career paths and job security for front-line bank workers. We are working closely with ACCE and the Home Defenders League, among other organizations to address the continued predatory practices of the big banks and its impact on residents and the economy of Los Angeles.

The purpose of this memo is to outline the segments of the reforms needed with banks that contract with the City of Los Angeles. On November 22, 2016 the Los Angeles City Council voted to amend the Responsible Banking Investment Monitoring Ordinance (CF 09-0234-S3) to prohibit predatory sales goals in order to protect Los Angeles consumers, enhance whistleblower protections for frontline bank workers and enhance accountability through the upcoming RFP process that will determine the City's banking service contracts. This ordinance amendment works to close an accountability loophole that was created when banks were exempted from the LA Contractor Responsibility Ordinance (CRO). Therefore, this policy is sensible and crucial in protecting LA consumers from fraudulent and predatory banking practices.

The amendment must include a comprehensive program and tools that City officials can use to hold banks accountable and ensure that they provide their service and or products in a legal and responsible manner. The CRO is a model in holding contractors that do business with the City of Los Angeles accountable and should be considered as the ordinance is being drafted. Along with the CRO, the following policies should also be considered:

Consumer Protections

In order to promote responsible consumer banking by any Bank doing business with the City of Los Angeles the ordinance must address the practice of sales goals used by Banks. Since the LA City Attorney and Consumer Financial Protection Bureau (CFPB) announced the penalties against Wells Fargo on September 9th, the federal regulatory agencies have begun to investigate the practice of sales goals within the banks. Most recently, on November 28th the CFPB issued a bulletin warning supervised financial companies that creating incentives for employees and service providers to meet sales and other business goals can lead to consumer harm if not properly managed. An industry-wide practice of bank managers tying bonuses or employment status to unrealistic sales goals or to the terms of transactions encouraged illegal practices such as unauthorized account openings, unauthorized opt-ins to overdraft services, deceptive sales tactics, and steering consumers into less favorable products.

The intent of the policy is to use both the Responsible Banking Ordinance (RBO) and the Banking Service RFP as tools to incorporate protections for consumers and establish accountability measures to prevent fraudulent and predatory banking practices. The RBO should connect to the Banking Service RFP by requiring financial institutions interested in bidding for City contracts to submit the following information:

1. Signed pledge that states they do not use predatory sales goals

- Sales goals are not tied to bank worker bonuses
 - Sales goals are not tied to employment status of bank workers
2. Questions on sales goals that is part of the RFP
 3. Disclosure of the incentive programs and its connection to employee performance metrics

Whistleblower Protection

The scandal at Wells Fargo brought light the practices of predatory sales goals that created a toxic work environment and led to the millions of unauthorized bank accounts and credit cards. The experiences of bank workers in meeting unrealistic sales goals led to severe hardships and harsh working conditions that led many to blow the whistle on the result and outcome of predatory sales goals which led to the LA City Atty. Mike Feuer filing a civil suit against Wells Fargo. In September, 2016 Wells Fargo was fined \$185 million by the CFPB as a result of the lawsuit filed on May 4, 2015 by the LA City Attorney. The initial response of Wells Fargo was to blame front line bank workers and as a result more than 5,000 bank workers lost their jobs. Many who spoke out against the pressure to create unauthorized accounts were also fired by Wells Fargo.

In order to protect bank workers that are speaking out against predatory banking practices the City should consider the following:

- Enhance the current federal whistleblower protection by establishing a local complaint and enforcement process that is tied to both the RBO and the Banking Service RFP.
- Define the “protected actions” that bank workers have.
- Pledge that banks will comply with whistleblower protection for banks workers

Compliance with all laws

In order to reinforce compliance with all local, state and federal laws a section should be added in the RBO that requires the banks interested in securing a contract with the City of Los Angeles in signing a pledge that banks will follow ALL laws including whistleblower protection.

Enforcement

The elements of enforcement of the ordinance is key to preventing fraudulent and predatory banking practices. A process of accountability should be put in place that clearly outlines the steps that should be taken by City officials if any violations occur. In fact, any violations of the ordinance and the banking service contracts should clearly constitute a material breach thereof and entitle the City to terminate the contract and otherwise pursue legal remedies that may be available.

We thank you for your time in reviewing this memo and we look forward to working with you to end the predatory practice of sale goals in banks that do business with the City of Los Angeles. Thank you again for your leadership on this very important issue. Together we can restore integrity in our banking system.