

MEMORANDUM

To: Mayor Garcetti and Los Angeles City Council
From: CWA, ACCE, Los Angeles Committee for Better Banks (LA-CBB) & DivestLA
Date: March 28, 2017
Re: Bank Accountability in the City of Los Angeles

We are an alliance of Angelenos, bank workers, community and consumer advocacy groups, and labor unions coming together to demand that City of Los Angeles divest from Wells Fargo and hold banks accountable that do business with the City by including socially responsible banking language to the RBO amendment.

Background

Senior management of Wells Fargo Bank (“Wells Fargo”) directed employees to fraudulently create more than 2,000,000 unauthorized bank and credit card accounts during the past five years, negatively affecting the credit ratings of millions of customers across the United States. Those reports indicate Wells Fargo financially benefited from these illegally created accounts and encouraged the continuation of these fraudulent practices by rewarding managers and senior executives with multimillion-dollar bonuses. Sales goals used by Wells Fargo create a system where low-wage bank workers, such as tellers and call center workers are forced to sell products that can harm their customers or risk losing their jobs. These aggressive and predatory sales goals create a hostile work environment for employees and lead to predatory practices in our communities.

On May 4, 2015 the Los Angeles City Atty. Mike Feuer filed a civil suit against Wells Fargo, alleging bank employees opened unauthorized accounts and used other illegal tactics to meet rigid and unrealistic sales goals; by fall of that year federal bank regulators had begun investigations. On September 8, 2016 the Consumer Financial Protection Bureau (CFPB), a federal agency established under the Dodd-Frank reform act, took action against Wells Fargo, in conjunction with the Los Angeles City Attorney and the Office of the Comptroller of the Currency, to punish violations consumer financial laws and illegal banking practices. All together Wells Fargo was fined \$185 million, including a \$100 million penalty from the CFPB, the largest such penalty the agency has issued. Furthermore, investigations into whether Wells Fargo’s misconduct also included additional criminal or discriminatory acts are ongoing.

Divest from Wells Fargo

On October 4, 2016 the Los Angeles City Council passed Resolution [15-0002-S220](#) proclaiming the City of Los Angeles’ Support for the Standing Rock Sioux Tribe’s Opposition to the Construction of the Dakota Access Pipeline. The banking industry led by Wells Fargo continue to fund the Country’s dependence on fossil fuels rather than transition to renewable energy. Wells Fargo stands out as one of the largest contributors to the Dakota Access Pipeline, having invested \$467,000,000 in project-level loans and revolving credit, which has enabled the repression and intimidation against the nearly 200 Indian Nations, environmental organizations, journalists and other non-violent demonstrators. The Dakota Access Pipeline project that has destroyed sacred tribal lands, endangers the clean water supply of the Standing Rock Sioux reservation and millions of Americans, and has resulted in human rights violations of indigenous peoples and water protectors.

The fleecing of thousands of bank consumers continues by Wells Fargo. According to a recent [Financial Times report](#) on how the bank’s income from overdraft charges grew by 7.5 percent between July and

September. That was five times faster than the rate of Wells Fargo's main U.S. competitors – including JPMorgan Chase, Bank of America, TD Bank, and US Bank – which had an average increase of 1.3 percent during the same period, according to the *Financial Times*.

Wells Fargo is the largest contract holder for the banking services for the City of Los Angeles. The City of Los Angeles should not reward irresponsible businesses that work to defraud the general public. The City of Los Angeles needs to divest from Wells Fargo Bank, who has been known to illegally foreclose on working-class families, discriminate against people of color or low-income consumers, commit mortgage fraud, invest in oppression against indigenous peoples, or finance the destruction of our shared environment.

Amend the RBO

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 tie accountability through the upcoming Request for Proposal (RFP) process and the City's banking service contracts. The intent of the amendment to the RBO is to incorporate consumer protections that directly takes on the predatory sales goals that has led to many banks engaging in fraudulent banking practices. The motion also asks the City Attorney to enhance whistleblower protections for frontline bank workers and enhance accountability through the upcoming RFP process that will determine the City's banking service contracts.

Socially Responsible Banking & Investments

The RBO amendment must also include socially responsible banking language that prohibits banks from bidding on City contracts that have engaged in dishonest or unethical business practices within the last five years, including but not limited to any orders, findings, or settlements with any public or private regulatory or disciplinary body with jurisdiction involving discriminatory, unfair, deceptive, or abusive acts or practices or applicable consumer protection laws or regulations. By incorporating socially responsible banking in all of the City's financial contracts, the City of Los Angeles can take a proactive role in ensuring the health of our financial system and promote socially responsible investment through its \$8.27 billion portfolio. The City of Los Angeles cannot genuinely pursue its goals of reaching 100% renewable energy while continuing to invest in the fossil fuel industry. The totality of the circumstances with Wells Fargo and its disregard for our people and planet require concrete steps to ensure the public can have faith in the place where our city banks and how we invest their money.

Order of Debarment

The enforcement of the RBO is key to accountability and in 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. The RBO amendment needs to contain an order of debarment that prevents a banks from entering into any contract with the City or from acting as a subcontractor on any contract with the City if any violations of the contract, RBO or any State or Federal laws.

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.