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Our File Number:

October 25, 2010

Councilman Richard Alarcon
Los Angeles City Council, District 7
200 N. Spring Street
Los Angeles, CA 90012-4801

Re: Responsible Banking Investment Monitoring Program
Proposed Ordinance

Date: 10-26-10
Submitted in JB Committee
Council File No: 09-024
Item No.: 3
Deputy: PUBLIC

Dear Councilman Alarcon:

My apologies that I, as a representative of the Legal Aid Foundation of Los Angeles (LAFLA), will be unable to attend the October 26, 2010 hearing regarding the proposed ordinance establishing the Responsible Banking Investment Monitoring Program. Thank you for your invitation to attend the Hearing and to submit written comments. LAFLA had previously expressed its support for the establishment of the standards you propose and I want to take this opportunity to re-affirm that support.

Local initiatives which require more creativity, responsiveness, and positive outcomes for homeowners, tenants, small business persons, consumers and Los Angeles neighborhoods vis a vis the banking industry's community investment commitments and activities are critical to the healthy development and stability of our City.

LAFLA's clients include homeowners, consumers with a varied array of loan products, nonprofits and small business owners involved in community development, the "unbanked" looking for affordable services, as well as many, many bank and other financial institution customers. As the largest Legal Services program west of the Mississippi, we have a very large number of clients who receive their public benefits, social security, veterans' benefits as direct deposits in national banks. LAFLA is a member of the California Reinvestment Coalition and for decades has invested resources in the promotion of significant and effective community investment and reinvestment by our state and national financial institutions.

Given our present economic conditions and the banking industry's role in arriving where we are today, these commitments must be significant, at an increased level, and they must provide real and measurable benefit to Los Angeles communities. I believe that the changes made in the proposed standards, the draft ordinance as it now reads, are positive and bolster the impact this program will have. The collection of the data will take time, but ultimately, it can serve both the purposes of the City and of the financial institutions themselves by providing clear measures of where and how resources and loan products and services are being allocated.

In prior comments, I referred to the significant investment in public relations campaigns by banks to bolster their image as caring, community oriented entities in the wake of our foreclosure and economic crisis. These PR campaigns continue. As advocates, we get invited to meet with Wells Fargo or have lunch with Bank of America or Chase or any of the other large

banking institution. We are told about the bank's foreclosure prevention or loan modification efforts, or it's investment in charitable giving or other work with local non profits. US Bank may run attractive T.V. ads. Chase Bank takes page size ads to impress with its' homeowner foreclosure centers or holds a luncheon for stakeholders/community organization representatives. Bank of America promotes its efforts and intentions to partner with local communities, and Wells Fargo holds large foreclosure prevention events.

But the good PR is still not yet matched by a shift in the quality and quantity of good banking products or the extraordinary but necessary ameliorative work that must be done in our communities in the face of this financial crisis. We are still to see the repair and restitution needed from the industry for the harm done in the marketing and investing in improvident and subprime and other terrible loan products, whether originated or "merely" purchased/serviced by lenders. Banks and the financial industry created or encouraged and participated in the promotion of these bad loans and the inflation of property values to sustain the stream of improvident lending. The subsequent crash of the housing market, the damaging spillover to small businesses, the loss of employment etc, the impact on homeowners, property values, displaced tenants, and our economy require the kind of community reinvestment which your proposed ordinance promotes.

It is appropriate that the City of Los Angeles address this issue. State and Federal efforts including Making Homes Affordable (HAMP), CA SB 1137, proposals to repair or compensate for the millions of bad loans, have had mixed and limited results. I applaud your inclusion of a measure of loan modifications made for distressed loan, and the additional provision to disclose the number of loan modifications where a principal reduction was provided.

The number of affordable loan modifications and other affordable loan workouts actually given, still pales in comparison to the number of families who will lose or already have lost their homes. The ordinance requires public disclosure of the data to be collected. Perhaps that will open the door to more candid assessment and greater awareness of what is actually happening to too many of our Los Angeles homeowners. As advocates, we have yet to determine an effective means of getting banks to understand that it is counter-productive and destructive, at a personal, neighborhood, and community/city level, to use loan modification processes that permit a home to be sold at a trustee sale while a homeowner is awaiting a good faith decision on a loan modification. This happens every day.

Financial institutions have to be accountable at a local level if they expect to benefit from municipal and local contracts and if they have the actual intention of being part of the communities and neighborhoods where they do business. Perhaps through greater disclosure, borrowers, communities and the banks can better address what needs to be done to avoid the loss of so many homes. Perhaps this ordinance will contribute to avoiding the repetition of disaster in the future.

Homeowners, tenants in foreclosed properties, and everyone living in a neighborhood touched by the foreclosure and mortgage crisis and the resulting recession are suffering the ramifications of the mistakes of the real estate loan debacle. Our City's tax base has been severely damaged. The high unemployment rate in Los Angeles, throughout California, and in the nation is a direct product of this evolving crisis.

Many large lenders have made the payday loan, refund anticipation loan, and auto title loan industries viable. These are loan products that charge exorbitant interest to mostly low and moderate income LA residents. Even in the face of the mistakes made and the outcomes we have seen in the past two plus years, banks continue to promote products that are not sensible or needed by the average Los Angeles working person or family.

Thus, this opportunity for Banks to increase the level of and be held accountable for meaningful community investment is vital and welcomed. It is consistent with the public statements of many of the large banks to ask these financial industry partners to be held accountable to measurable standards of community investment and for the City of Los Angeles to do business only with those lenders and financial institutions that understand and are willing to meet those accountability standards. We believe that Banks that consider themselves partners or members of the communities where they do business should welcome the opportunity to participate in the restoration of healthy neighborhood economies. This will require commitments that go beyond what have been given in the past.

Thank you once again, Councilman Alarcon and the other Councilpersons for proposing and considering this initiative. It is neither too early nor too late for firm demands to be made on behalf of the people of the City of Los Angeles. We are in a crisis that continues. If we are to heal, community investment must occur at a level that matches the dramatic level of loss and economic and morale damage to Los Angeles' families, neighborhoods and families. We must have a means of distinguishing good business practices and partners from those that lack a real commitment to civic responsibility and the overall health of our neighborhoods and City.

I close with a reference and link that presents a dramatic picture of the unemployment rate and its growth since 2007, across the nation, in California, in Los Angeles.

<http://cohort11.americanobserver.net/latoyaegwuekwe/multimediafinal.html> .

Thank you for the opportunity to comment.

Yours truly,

Dorothy Herrera Settlege



Senior Attorney

Legal Aid Foundation of Los Angeles



City of Cleveland

Frank G. Jackson, Mayor

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October 25, 2010

Councilmember Richard Alarcon
Los Angeles City Council, District 7
City Hall, Rm. 470, Los Angeles, CA 90012

RE: Reference the Council File, CF 09-0234

Dear Councilmember Alarcon:

This is to support the City of Los Angeles *Amendment To Establish Responsible Banking and Investment Monitoring*. Los Angeles will be joining other great cities across the US including Cleveland, Philadelphia and Boston who proactively support their community and economic development goals through responsible banking ordinances. The City of Cleveland's banking services ordinance was enacted in 1994 through legislative authority to address the relative lack of credit and related services in the city of Cleveland especially to minorities and low-income persons and city neighborhoods. The Brookings Institute has recognized the value of this action and in 2003 published a study that found:

"In Cleveland, a multifaceted and overlapping network of CDCs, urban development funds, and foundations fosters a vibrant marketplace for community development projects. Overall, about \$2.4 billion flows annually to urban development activities—more than in the other cities. It is also the city with the highest amount of private sector participation. City support for urban development, including a tax abatement program and aggressive enforcement of the Community Reinvestment Act, also exceeds that of the other three. Over time it appears that the level of subsidy in Cleveland has declined, resulting in more bang for the community development buck"

Please feel free to contact me if I can be of further assistance as you implement this important amendment!

Sincerely,

Rose A. Zitiello

Rose A. Zitiello, Esq.
Manager Bank Relations

Date: 10-26-10
Submitted in JED Committee
Council File No: 09-0234
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