



February 22, 2010

Council Member Richard Alarcon
Chair Los Angeles City Council
Jobs and Business Development Committee
200 North Spring Street,
Los Angeles, CA 90012

Re: Support for CF 09-0234

Dear Chairman Alarcon:

The Center for Responsible Lending (CRL) writes in support of your effort under CF 09-0234 to establish new reporting requirements for all banking and financial service contracts with the City of Los Angeles and to condition future business relationships with the City on satisfactory performance with regard to mortgage foreclosure mitigation efforts, community banking services, and community investment activities.

CRL is a not-for-profit, non-partisan research and policy organization dedicated to protecting homeownership and family wealth by working to eliminate abusive financial practices. CRL began as a coalition of groups in North Carolina that shared a concern about the rise of predatory lending in the late 1990s.

CRL is an affiliate of Self-Help, which consists of two credit unions and a non-profit loan fund. For the past 26 years, Self-Help has focused on creating ownership opportunities for low-wealth families, primarily through financing home loans. Self-Help has provided over \$5 billion of financing to over 55,000 low-wealth families, small businesses and nonprofit organizations in North Carolina and across the country, with an annual loan loss rate of less than one percent. We have recently launched Self-Help Federal Credit Union, which is rapidly establishing a network of retail branches here in California. We currently have assets of \$150 million, with 9 credit union branches in the Bay Area and the Central Valley, making SHFCU the second largest community development credit union in California.

The December 14 report of the Chief Legislative Analyst identifies five specific provisions to achieve the goals of CF 09-0234.

- 1) A requirement that all City banking and financial services contractors provide annually a report of community reinvestment goals to the City Treasurer, including specific reporting on origination of home mortgage loans and on foreclosure-avoidance activities through loan modifications.
- 2) The provision of authority to the City Treasurer to restrict or terminate financial relationships with those institutions that fail to comply with the new reporting requirements.

Gina Gates

12 S. First Street, Ste 225
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02-22-10

Richard Alarcón
Los Angeles City Council, District 7
Attn: Sarah Brennan
sarah.brennan@lacity.org

Adam Lid
adam.lid@lacity.org

re: **SUPPORT CF 09-0234**

Dear Council Member Alarcón and Committee Members,

My name is Gina Gates, I am a member of People Acting In Community Together, PACT, located in San Jose, California. PACT consists of 23 congregations and represents over 5,300 families. I come to you with first hand experience of how a large bank made mistake after mistake that left me without a home. The bank that made these errors was Washington Mutual that at that same time had been seized by its regulator and assumed by J.P. Morgan Chase. I did not think there was any bank worse than J P Morgan Chase. That was until the survey at our congregation was completed and reading reports by the Treasury department that showed without a doubt – B of A is the biggest monster of all the banks.

After careful, investigation and surveys of our parish, Most Holy Trinity, we discovered that Bank of America (B of A) is the largest holder of bad loans in our primarily minority neighborhood. On December 4th 2009, after meeting and attempting negotiations to no avail with Bank of America, we commenced our divestment campaign against Bank of America. Within the following week, the San Jose City Council passed an ordinance that would require that a bank's foreclosure performance be considered before doing business with that bank. In early January, I went with a contingent to meet with Mr. Peter Swire on the White House Economic Council to seek solutions to the foreclosure crisis. In mid-January, we once again had a meeting with B of A. Again, B of A has basically given no concessions, continues poor business practices (below any of its competitors) that is destroying the American Dream of our most vulnerable neighbors and their children. Last Thursday, we negotiated with the Treasury department to hold 10 hearings across the United States this year. Two meetings will be held in California. The Bank of America's stockholder meeting in April is our next opportunity to encourage B of A to stop its reckless and abusive behavior.

Time is of the essence! Bank regulators, federal and state government do not seem willing or able to do anything to curtail Bank of America's toxic corporate behavior. We pray that you "do the right thing"
-- **Divest from Bank of America.**

Respectfully Submitted,

Gina Gates

PACT Leader

Find out more about our B of A Divestment campaign at:
<http://www.youtube.com/watch?v=R0i32HWWKUg>

- 3) A notification requirement for all banks and financial service providers who choose to close bank branches within the City.
- 4) A prohibition on entering into financial service contracts with any institution that has exhibited a pattern of discriminatory or other illegal credit practices.
- 5) The addition of new RFP/RFQ criteria for future financial service contracting processes that provide rewards for financial services providers who are engaged in active community investment practices beyond traditional banking services.

We are particularly supportive of the items (1, 2, 4 and 5) that link the provision of City financial service contracts to those institutions that exhibit a strong commitment to local community investment activities, consistent with other laws. The City's financial service contracts are profitable business opportunities for banks. Conditioning future business on satisfactory performance of community investment priorities is a responsible way to promote community investment of the City's valuable assets.

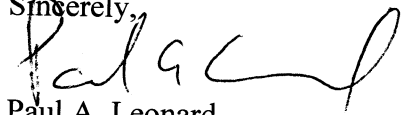
We would also recommend that the City consider broadening the RFP/RFQ criteria under number 5 above to include specific features of their traditional banking services, particularly with respect to bank overdraft policies. Overdraft loans cost consumers nearly \$24 billion each year. Fee-based overdraft coverage is, by far, the most expensive way to have an overdraft covered. Often, financial institutions that impose fee-based overdraft coverage also manipulate the order in which they post transactions, which further maximizes fees.

The Federal Reserve Board has recently required banks and credit unions to ask new and existing customers before charging overdraft fees on debit card transactions. This improvement is undermined, however, by the Fed's failure to propose or enact necessary safeguards against a host of unfair practices. The Fed's rule does not, for example, prohibit institutions from charging an unlimited number of overdraft fees in a single day, even if the transactions are for small amounts, which most are. In fact, the typical debit overdraft is for \$17. The typical fee a bank charges to cover that overdraft is \$34. So essentially the bank is charging \$34 for a \$17 loan that will be paid back in just a few days, when the customer makes another deposit. Moreover, the Fed's rule provides no limits on the size of the overdraft fee a bank can charge, and fails to prohibit the ordering of transactions to maximize overdraft fees.

The City's ordinance could provide financial institutions with greater incentives to reduce or eliminate their abusive overdraft programs, by taking into account the nature of their overdraft programs in their application for financial service contracts.

Thank you for considering our input. We look forward to working with you and your staff on this important measure as it moves forward.

Sincerely,



Paul A. Leonard
California Director