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November 18, 2011

Chairman Bernard Parks
 Councilmember Tony Cardenas
 Councilmember Mitchell Englander
 Councilmember Paul Koretz
 Councilmember Bill Rosendahl
 Budget & Finance Committee
 Los Angeles City Council
 200 N. Spring Street
 Los Angeles, CA 90012-4801

Re: Responsible Banking Investment Monitoring Program Measure (CF 09-0234)

Dear Members of the Budget & Finance Committee:

On Monday, November 21, 2010, the Los Angeles City Council's Budget and Finance Committee is scheduled to consider an implementation plan for the Responsible Banking measure (CF 09-0234) that the Council approved on March 5, 2010. Public Counsel supports and endorses the proposed implementation plan.

Public Counsel is the largest not-for-profit law firm of its kind in the nation. It functions as the public interest arm of the Los Angeles County and Beverly Hills Bar Associations. Public Counsel is dedicated to advancing equal justice under law by delivering free legal and social services to low-income and underrepresented persons throughout Los Angeles County. Last year, our staff of fifty-one attorneys and forty-six support staff, together with more than 5,000 volunteer lawyers, law students and legal professionals, assisted over 32,000 low-income families, adults, and children, as well as numerous eligible community organizations. The value of the free legal services that Public Counsel provided during 2010 is conservatively estimated at over \$88 million. Our clients include community organizations, homeowners, consumers, veterans, disabled seniors, and many other customers of local banks and financial institution.

In approving the Responsible Banking measure in 2010, the Council recognized the key role that financial institutions have played in the current economic crisis, as well as the important role that they must play in the recovery. Public Counsel firmly believes that responsible banking is not just a good idea in principle, but is also a sensible goal that the City of Los Angeles must strive to achieve.

For years, financial institutions created, encouraged, and participated in bad loans and derived huge benefits from improvident lending. The subsequent crash of the housing market and the damaging ripple effect on business income, employment, home equity, and the economy at large require the kind of community reinvestment and accountability that the Responsible Banking measure will foster. The measure seeks to implement quantitative and reasoned assessments of financial institutions' actual community investments, and it creates incentives for financial institutions to act ethically and responsibly by supporting local communities. Because of the key role the banking industry played in the nation's economic descent, Public Counsel believes that the City of Los Angeles should set and enforce higher standards for financial institutions, standards that would require them to play a vital role in the economic recovery.

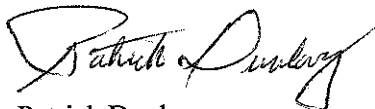
The City of Los Angeles has a responsibility to address this issue. Small business owners, homeowners, tenants in foreclosed properties, and families living in deteriorating neighborhoods are all suffering markedly from the collapse of the housing market. Our city's tax base has been severely damaged, and the high unemployment rate in Los Angeles is a direct consequence of this crisis.

Financial institutions need to be accountable at a local level if they expect to benefit from municipal and local contracts, and if they want to grow hand-in-hand with the communities and neighborhoods where they do business. The idea that the City of Los Angeles should do business only with those lenders and financial institutions that are willing to meet fair accountability standards is reasonable and right. The City should distinguish good business practices from bad and resolve to work with lenders and financial institutions that demonstrate real commitment to civic responsibility and the overall health of our city.

Public Counsel would like to thank the Council, the Budget and Finance Committee, and Councilmember Alarcón for promoting implementation of the Responsible Banking measure. We are in the midst of an economic crisis that, in many low and moderate income neighborhoods of Los Angeles, has caused more harm than is generally recognized. Local initiatives that require *financial institutions to act responsibly toward the communities in which they operate* are critical to the healthy development and stability of our city in these exceptionally difficult times.

Thank you for your careful attention to this very important matter.

Sincerely,



Patrick Dunlevy
Directing Attorney
Consumer Law Project
Public Counsel



Legal Aid Foundation of Los Angeles

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Our File Number:

November 18, 2011

Chairman Bernard C. Parks
Councilmember Tony Cardenas
Councilmember Mitchell Englander
Councilmember Paul Koretz
Councilmember Bill Rosendahl
Councilman Richard Alarcon
Budget & Finance Committee
Cc: Councilmember Richard Alarcon
Los Angeles City Council
200 N. Spring Street
Los Angeles, CA 90012-4801

Re: Responsible Banking Investment Monitoring Program
Proposed Ordinance: Council File No. 09-0234

Dear Budget & Finance Committee Chairman and Members:

On behalf of the Legal Aid Foundation of Los Angeles (LAFLA), I address the Budget & Finance Committee in support of the proposed ordinance. LAFLA had previously expressed and now affirms its support for the establishment of an effective process for assessing and evaluating the investments made by banks, savings associations, and credit unions in the City of Los Angeles. Of course, the objective here is not just to develop a score card but to promote meaningful and greater investment in Los Angeles neighborhoods, communities and businesses and to partner with those financial institutions that demonstrate real commitment to this City's well being.

The Legal Aid Foundation of Los Angeles (LAFLA), established in 1929, is the largest provider of free civil legal services to low income individuals and families in metropolitan Los Angeles, Long Beach, and communities throughout Los Angeles County. In 2010, LAFLA provided direct legal services to 14, 434 individuals and families, assisted an additional 48, 600 persons through court based Self Help Centers, and provided referrals, informational packets, and community outreach to more than 23,000 other individuals. We assist and represent clients with legal issues related to housing, employment, family law, consumer law, immigration, government benefits, and community economic development.

I attach a letter sent to the City Council on November 5, 2010, because a year later the issues and concerns expressed in that letter are still relevant. We are still in the throes of a foreclosure crisis. Small businesses and our local economies still need lending institutions to provide credit, resources, and technical support so that they can succeed in helping to re-build our communities.

Neighborhoods, schools, nonprofit organizations still need resources and services in order to recover or re-build from the damage caused by the mortgage crisis and economic collapse. And consumers, aka citizens and residents, still need responsible and appropriate financial products.


I will try not to re-iterate the comments in my November 5, 2010 letter or in prior letters regarding this ordinance. This is 2012 and we all know that Los Angeles, the State of California and the Nation are facing continuing distress and challenges. LAFLA can bring you many examples of the destruction of lives, families, neighborhoods that many, many Angelinos are facing everyday. The recent study by the Advancement Project gives a broader picture of this impact. Without bold intervention and creative thinking, it is going to get worse. We hear these stories in our offices everyday and over the past 3-4 years with state, local and federal services decreased, we see more suffering amongst poor, low income, and the former middle class.

We must all be prepared to change, to really come together as members of a greater community, to commit in new and bigger ways to being accountable and to being a partner in saving and re-building our City. You as elected officials have the obligation to address these very real issues. Financial institutions as beneficiaries of our common resources and wealth and as part of our communities have an obligation to invest and to be held accountable.

The goal is not to build a new bureaucracy but rather to achieve an outcome that we should all agree to: real and greater and continuing community investment. LAFLA also supports the concept of identifying specific programs that lending institutions could participate in as a means of demonstrating their partnership with Los Angeles. Rather than look at this ordinance as an expensive burden on banks et al., it should be seen as an effort or an opportunity for enhancing a vitally needed partnership between financial institutions and the neighborhoods where they do business.

Thank you for the opportunity to comment. I or one of my LAFLA colleagues would be happy to meet with you or with other Councilmembers to discuss this ordinance. Please feel free to contact me at (323) 801-7992.

Yours truly,


Dorothy Herrera Settlage
Senior Attorney
Legal Aid Foundation of Los Angeles

Attachment



Legal Aid Foundation of Los Angeles

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Our File Number:

November 5, 2010

To Council Members
Los Angeles City Council
200 N. Spring Street
Los Angeles, CA 90012-4801

Re: Responsible Banking Investment Monitoring Program
Proposed Ordinance (CF 09-0234)

Dear Council Members:

Introductory Statement: We understand that the Budget and Finance Committee will be considering a proposed ordinance on the Responsible Banking Investment Monitoring Program on Monday, November 8, 2010. At the invitation of Councilman Richard Alarcon, I offer the following comments in support and endorsement of the proposed ordinance. The Legal Aid Foundation of Los Angeles (LAFLA) has previously expressed its support for the establishment of the standards and measures contemplated by this program.

Local initiatives which require more creativity, responsiveness, and positive outcomes for Los Angeles' communities from the banking industry's community investment activities are critical to the healthy development and stability of our City.

Who We Represent: LAFLA's clients include homeowners, consumers experiencing problems with many different types of loan products, nonprofits, 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 large number of disabled and senior clients who receive their public benefits, social security, and veterans' benefits as direct deposits in national banks. They represent a large bank customer base.

LAFLA is a member of the California Reinvestment Coalition and for decades has supported and promoted significant and effective community re- investment and community economic development by our local and national financial institutions.

Investment Accountability to Meet the Times: Given our present economic conditions and the banking industry's role in arriving where we are today, the investment commitments of financial institutions must be significant, at increased giving levels, and they must provide real and measurable benefit to Los Angeles' neighborhoods. The collection and disclosure of the required data can ultimately 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.

Many financial institutions already invest in promoting their contributions to and partnerships with Los Angeles communities. But the intention of this ordinance is to go beyond good public

relations to have a measurable and reasoned assessment of actual community investment. Much is still to be done to match the imagery of ad campaigns to a constructive shift in the quality and quantity of banking products and 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, subprime and other terrible loan products. 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 and accountability which this proposed ordinance promotes.

The Continuing Foreclosure Crisis: 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 requirement to measure the number of loan modifications made for distressed loans, and the additional provision to disclose the number of loan modifications where a principal reduction was provided.

The number of loan modifications and other affordable loan workouts actually provided by our nation's banks still pale 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. For example, consumer advocates 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.

Perhaps through greater disclosure, borrowers, communities and the banks can 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.

Other Consumer Loans: 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.

Local Action and Accountability: It is appropriate that the City of Los Angeles address this issue. 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.

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. Thus, this opportunity for Banks to increase the level of and be held accountable for meaningful community investment is an essential tool. In fact, it is consistent with the objectives of another proposed ordinance, *the Local Preference Initiative*. Los Angeles needs policies that promote investment accountability and economic development in our City.

It is reasonable 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.

Concluding Statement: Thank you to the Council, to the Jobs Committee and the Budget and Finance Committee, and to Councilman Alarcon for proposing and considering this initiative. We are in an economic crisis that continues and that, in many low and moderate income neighborhoods of Los Angeles, digs even deeper that is generally recognized. 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 increased unemployment rate from 2007 to the present, 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