



Feb. 27, 2012

*Memo regarding Responsible Banking Ordinance, item 09-0234*

To: Budget and Finance Committee; cc: Council President Wesson, CAO

Purpose: to clarify priorities, purpose and next steps on Responsible Banking Ordinance

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**Context:** The [California Reinvestment Coalition estimates](#) that Los Angeles has/will:

- lose \$481 million in property tax revenue as a result of the foreclosure crisis
- spend \$1.2 billion in costs to deal with the aftermath
- Los Angeles homeowners estimated to lose \$78.8 billion in home values
- [African-American and Latino families in particular have lost more than half of household wealth](#) since 2005 due largely to the housing bust. (*The Pew Research Center*)
- Small business lending to minority owners by big banks has fallen drastically since 2007

**Purpose of ordinance:**

- Provide Los Angeles access to important local information about banks seeking our business
- Annually allow council members, mayor, CAO and public to use reinvestment and loan modification behavior as an additional criteria for contracts with the goal of rewarding positive reinvestment and foreclosure abatement and removing business from banks that harm the LA economy
- Create more leverage to keeping families in their homes and making big banks invest in and serve *all* Angelenos of *all* colors

**Recent reports from CAO (Dec. and Feb.):**

The CAO has worked to incorporate the majority of our recommendations, including:

- Small business lending data by census tract
- Loan modification and refinancing / foreclosure reduction data by census tract
- Annual public reporting by all banks seeking city contracts
- Public dissemination of that data (in a format to be determined by a working group)

**LA Voice's response:**

The current CAO proposal does not include everything that we want, particularly a city report card and holding underwriting contract-seekers accountable for their commercial-side practices. However, it is a positive and necessary first step toward better bank behavior.

The important question is the “when” and “who” regarding data. We encourage the CAO and council to take every measure to gather the requested data from all the major commercial banks as quickly as possible. Families suffer as we speak. More leverage is needed now, not later.

This ordinance will be a positive first step toward shining a light on the practices of the big banks that have so damaged the lives of Angelenos and our local economy. It will give us a powerful tool to guide decisions about whom we give business. Only when financial institutions are rewarded or punished for their behavior will banks be made to serve people as they should. We are heartened to see the CAO and City Council moving in the right direction.

It will take all of us to make our City one where economic inequity shrinks and every Angeleno has an opportunity to prosper regardless of color of skin or neighborhood of residence.