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BUDGET & FINANCE

Motion

HOUSING

The City of Los Angeles has filed suit with several banks who have participated in discriminatory lending practices. On Dec. 6, Bank of America was added to a lawsuit filed by the city of Los Angeles, which seeks damages from banks that allegedly participated in discriminatory lending practices. Similar charges were filed against Wells Fargo & Co. and Citigroup Inc., as well as JP. Morgan.

The damages are sought in order to recoup the considerable tax revenue losses and property devaluation that the city faced as a result of the foreclosures. The move comes following a number of other actions against large lending banks in recent months.

Deputy Attorney General James Cole spoke out against banks at a conference at Washington D.C. on Nov. 19, where he indicated that many banks are not yet up to the government's standards, citing recent investigations into Bank of America, Wells Fargo, Morgan Stanley. This move and the others comes as more cities, states and Federal agencies seek to hold banks accountable for risky moves that lead to the financial crisis.

For example, over the last few years, at least seven federal agencies, various state regulators and two foreign nations have sought to hold JP Morgan Chase & Co. (JP Morgan) accountable for the banking giant's serial misconduct. The bank agreed to some \$20 billion of legal settlements in 2013, with \$850 million in the fourth quarter stemming from its deals over its failure to report suspicions of fraud by Ponzi-schemer client Bernard Madoff.

Among many settlements, JP Morgan agreed to pay \$13 billion to resolve allegations that it sold faulty mortgage investments that fueled the 2008 financial crisis. The bank paid \$920 million, settling charges brought by American British financial regulators for misconduct. The bank admitted wrongdoing in the matter, a trade that cost the bank more than \$6 billion. The bank has also paid \$80 million in fines and refunded \$309 million to credit-card customers to settle regulators' charges that it harmed consumers by allegedly making errors in hundreds of thousands of debt-collection lawsuits and leading more than two million credit-card customers to buy services they didn't want.


Yet as the misconduct piles up, JP Morgan continues to be a major beneficiary of taxpayer dollars from both the State of California and the City of Los Angeles. In fact, between 2007 and 2010, in the midst of the worst economic downturn since the Great Depression, California taxpayers paid JP Morgan over \$30 million in fees for underwriting state general obligation bonds. The City also holds a line of credit with the bank, generating more fees for JP Morgan.

Our City employee pensions are also heavily invested in JP Morgan. The Los Angeles City Employees Retirement System (LACERS) owns approximately \$62 million of JP Morgan stock as of June 30, 2013, making it one of LACERS' top ten holdings. LACERS' real estate portfolio also includes JP Morgan core and value funds valued at more than \$50 million.

As a City, we need to review the impacts that the repeated investigations, lawsuits and settlements involving JP Morgan have on our investments and holding. We must consider our own capacity to hold JP Morgan accountable for its misconduct.

I THEREFORE MOVE that the City Administrative Officer, with the participation of the Los Angeles City Attorney, LACERS, LAFPP, and the Water and Power Employees Retirement Plan, be directed to report within 90 days on the following:

The business that the City conducts with JP Morgan including, but not limited to, bond underwriting, real estate, pension investments, pension management and financial consulting services;

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ORIGINAL

- The number and dollar value of contracts that the City holds with JP Morgan, together with an analysis of the legal options available to the City with respect to terminating each of the contracts;
- The process and timing by which the City can pursue a debarment proceeding against JP Morgan for these violations of law and ethics; and
- The ramifications to the City's financial interests of the recent lawsuits, investigations and settlements involving JP Morgan to the City's financial interests and the safeguards that can be enacted to withstand any further misconduct.

I FURTHER MOVE that the City Administrative Officer report back on Ordinance No. 182138, Responsible Banking Investment Monitoring Program, and the compliance there in related to JP Morgan and other banking institutions in which the City is currently in open litigation with.

PRESENTED BY: 
GILBERT A. CEDILLO
Councilmember, 1st District

SECONDED BY: 