

September 11, 2017

The Honorable Eric Garcetti  
City of Los Angeles  
200 N. Spring St.  
Los Angeles, CA 90012

Mr. Matt Szabo  
Deputy Chief of Staff  
200 N. Spring St.  
Los Angeles, CA 90012

Re: Wells Fargo Bank/Options for Divestment  
Council File 17-0330

Dear Mayor Garcetti and Mr. Szabo,

On behalf of Divest LA and our partners, supporters and allies, we would like to express our gratitude to Los Angeles City Council for unanimously voting to begin the process to divest from Wells Fargo. As Los Angeles citizens, we are proud that our City Councilmembers are taking a stand against unethical banking practices.

The Office of Finance recently released the [report](#) on Divestment and Banking Services Request for Proposal. We would like to acknowledge the Office of Finance for providing potential opportunities for multiple banks of various sizes to compete for banking services to decentralize our city's finances from "too-big-to-fail." The unbundling of Wells Fargo accounts will allow for contracts with smaller community banks, credit unions, and subcontractors. We want to ensure the City will value social responsibility as much as competition.

However, our concern is threefold. We urge the City to enforce the current Request for Proposal (RFP) for Banking Services which excludes any banks with a below satisfactory Community Reinvestment Act (CRA) rating from submitting proposals. In recent news, Wells Fargo created 3.5 million fake accounts to boost their sales goals, 1 million more accounts than originally disclosed. This reveals a clear lack of accountability and consequences to unethical banking that harms our communities. According to the Federal CRA report, Wells Fargo currently has a "Needs to Improve" rating. Wells Fargo is therefore disqualified from submitting an RFP because it's rating is below Satisfactory. New York City Mayor Bill de Blasio cited the same reasoning for freezing all future contracts with Wells Fargo. The City of Los Angeles must follow its own rules.

Secondly, as the City prepares its' banking services RFP, we urge the Office of Finance to incorporate Divest LA's socially responsible RFP policy recommendations including the use of a [3-Tier System](#) to prioritize prospective banks. Finance has developed a scoring system and

criteria including “social responsibility” as a factor for recommending award of the general banking services contract. We must ensure that the mechanism used by Finance to rank banks submitting services prioritizes financial institutions truly centered around ethics and community development.

Our third concern is the timeline of the RFP and the Responsible Banking Ordinance (RBO) contracts, which Finance states will now move forward separately. The RFP is projected to be released this month, while the RBO will be released in approximately 6 months. As stated in the Office of Finance report, the RFP will largely be guided by the current RBO, which lacks adequate social responsibility and accountability factors. Divest LA is working with Committee for Better Banks (CBB) and Alliance of Californians for Community Empowerment (ACCE) to strengthen the RBO language and incorporate socially and environmentally responsible amendments.

We ask Finance to act immediately to include the RBO recommendations from CBB/ACCE’s Los Angeles Citizens Review Board on Responsible Banking report from the meeting convened in August 2017, chaired by Congresswoman Maxine Waters. This will ensure that the proposed RFP contract will be guided by the new RBO amendments, reflecting a true state of responsible banking in Los Angeles.

The divestment report states additional factors that will be required and reviewed by the City in measuring “social responsibility” will include contributions and participation in local Los Angeles businesses and programs. It is imperative that when considering Wells Fargo’s social responsibility score, factors must reach beyond the bank’s local contributions, and include their overall disparaging national record of unethical and predatory banking behavior.

Divest LA not only advocates Social Responsibility as defined by actions towards our City, but as universal values that hold a corporation responsible as a whole. Los Angeles must take a position in leadership and leverage the City’s power to construct new financial standards that hold banks accountable to *all* people, so we must expand the definition of Social Responsibility to include general business practices.

The Divest LA movement was built around the advocacy of socially and environmentally responsible framework to help steer the City’s financial services and we hope to continue working with the City to create a financial system that is responsive to the needs of the community through adherence to strong ethical policies when determining the placement of our public funds.

We look forward to witnessing the final vote to divest, which will pave a path towards a new era of accountability for financial institutions and corporations doing business with the City of Los Angeles.

Sincerely and with gratitude,  
Divest LA