

# Los Angeles Responsible Banking Ordinance

## FACT SHEET



**What it will do:** The Responsible Banking Ordinance currently will make banks compete for billions of dollars in public money. It will rank banks seeking to win City business by the level of good they are doing for L.A. neighborhoods and families, and then reward the highest-ranked banks with more City deposits and cajole the lowest-ranked banks by taking away City business. Similar ordinances in Cleveland and Philadelphia are responsible for leveraging billions of dollars in community investment and expanding good lending in low and moderate-income communities.

**How it will work:** Each year, any bank seeking to do City business will be required to submit information to the City Treasurer documenting their community reinvestment goals and progress, including:

1. **Small Business Lending:** Including the number, size and type of small business loans to businesses in L.A. with annual revenue of \$1 million or less, especially in lo-mod zip codes.
2. **Home Mortgage Lending:** Including data on mortgage modifications designed to avoid foreclosures, and number of principal reductions. This also includes verification that the bank allows unemployed homeowners to qualify for home loan modifications, and that they allow families in homes subject to foreclosure to continue to rent the properties until they are sold.
3. **Community Development Lending:** This include the number & size of loans to nonprofit housing developers for tenants living at or below 80 percent of the area's median income.
4. **Access to Banking Services:** This includes the number and location of branches, ATM machines, loan production offices and any other delivery methods for banking services.
5. **Other investments within the City of Los Angeles.**

The City Treasurer will review this information, along with “any additional information deemed necessary or desirable in evaluating the performance of banking institutions,” and create an evaluation and ranking of banks seeking City business. The treasurer is authorized to contract the reporting out to a reliable organization. Based on these reports and rankings, the City Treasurer will be authorized to:

1. **Disqualify** from receiving City contracts any bank that has not submitted the required information, or that has “exhibited a pattern of discriminatory or other illegal credit practices;”
2. **Increase** the level of City banking business for those banks that score in the top 25% of local reinvestment performance; and,
3. **Withdraw** City banking business from any bank that scores in the bottom 25%.

**Why this Matters:** Over the last decade, that nation’s biggest banks spread toxic loans throughout our communities. The culmination of such widespread bad lending led our entire nation into the deepest economic downturn in 75 years. We are still suffering the consequences of this era of bad lending in the form of record-high unemployment and depressed housing values and loss of credit for small businesses.

This ordinance is a first step in that direction. It will allow L.A. to reward banks for doing the sort of good lending that we need to create jobs and rebuild family wealth. By reducing public dollars in those banks that continue to harm our families and communities for their own bottom line regardless of the needs of Angelenos. We believe banks can make money and put money into building the future of people.

Imagine what Los Angeles will be when we all decide that sharing information and holding each other accountable for the sake of lifting up those who are down so that they can lift others in the future.