



Richard Alarcón
Councilmember, District Seven

**** FACT SHEET ****

Responsible Banking Ordinance Introduced by Councilmember Richard Alarcón

SUMMARY

The Responsible Banking Ordinance, unanimously approved by the Los Angeles City Council on March 5, 2010, will create a “report card” allowing the City to track the investment and lending activity of institutions with which the City does business, and give contracting preference to financial institutions with a demonstrated track record of commitment to Los Angeles.

PROBLEM

City Investments: The City of Los Angeles has nearly \$30 billion in cash and investments (including City pension funds) but does not have a system by which it can clearly review the financial activity in our communities from the institutions with which we do business.

SOLUTION: RESPONSIBLE BANKING ORDINANCE

Transparent Reporting for Banking

Partners: Financial institutions that the City of Los Angeles contracts with will be required to annually submit data detailing their lending activity in, and provide a Community Reinvestment Goals statement specific to, Los Angeles --which the City of Philadelphia has required from the financial institutions their City has deposits with since 2002.

“Report Cards” Grading Local

Investment: The City Treasurer will compile and publish an annual report

ranking each financial institution that receives City dollars on a Community Reinvestment Scale, as measured by the amount and type of investment in Los Angeles, or lack thereof.

Contracting Preference for the Highest Scorers:

Contracting preference will be given to the top-performing financial institutions, and the lowest performers will face possible divestment.

Examples of information used to determine positive re-investment in Los Angeles:

- The number and type of permanent loan modifications approved to prevent mortgage foreclosure in Los Angeles;
- Small business lending information, including number of loans to businesses with annual revenue of \$1 million or less in Los Angeles;
- Number and location of branches, ATM machines, and other service delivery locations in Los Angeles.

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