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COUNCIL APPROVES MOTION TO CREATE “BANKING DEVELOPMENT DISTRICTS” AND PROVIDE INCENTIVES FOR BANKS TO LOCATE IN UNDERSERVED AREAS

Los Angeles, CA - Today, the Los Angeles City Council unanimously approved a motion from Councilmember Richard Alarcón to create Banking Development Districts (BDDs) in the City of Los Angeles. Based on a successful New York model, the Banking Development District program would create incentives for banks to open branches in under-served areas of the City. Councilmember Alarcón’s motion directs the City Attorney, with the City Treasurer, to draft an ordinance establishing Banking Development Districts in Los Angeles, with participating banks and credit unions guaranteed municipal deposits and Council District discretionary fund deposits, property tax breaks and fast-track land use approval for banks that open branches within a BDD. The motion also requests that the City Treasurer establish a Banking Development District Task Force to work with Department Heads and Councilmembers to determine what modifications may be needed to adapt the New York model to Los Angeles.

“Every year, local “unbanked” families pay over one hundred million dollars in unnecessary fees because they don’t have access to local banks, taking hard-earned money out of their pockets and out of the communities where they live and shop,” said Councilmember Alarcón. “Banking Development Districts are a win-win-win, allowing the City to leverage our assets to benefit the banks that open in underserved areas, benefiting the City through increased economic activity and benefiting residents who will now have access to the financial mainstream where they can save money and build credit and create a financial safety net for their family.”

Councilmember Bernard Parks said, "We find that the importance of this motion is that in this day and age it is virtually impossible to establish credit or even to pursue the American Dream of home ownership without establishing a relationship with traditional financial institutions like banks and credit unions first. Therefore, it is important that we as a Council do what we can to encourage and welcome banks into under served communities within the City of Los Angeles."

Olivia Calderon, California Legislative Director of the Asset Building Program at the New America Foundation, said, "I applaud Councilman Alarcón’s attention to what is a very important and often unaddressed need, banking the unbanked. It’s difficult to believe that over 300,000 Angelenos lack a basic checking and savings account. But this is a reality in too many low-income communities throughout Los Angeles and across the state, where banks and credit unions are nonexistent. The Banking Development District program is a proven way to connect families with the tools they need to get on the path to saving and investing.”

In the LA, there are an estimated 300,000 households that do not have a checking or savings account. These families must instead rely on expensive alternative financial services. In fact, the Brookings Institution estimates that the average “unbanked” household in Los Angeles pays over \$700 each year to carry out simple financial necessities, such as cashing checks and using money orders to pay for bills. Unfortunately, these are the same households who can ill-afford to spend \$700 a year on these services. Over one hundred million dollars of income is lost every year by families paying for expensive financial services, as these fees translate into more than \$54 million in check cashing fees and \$88 million in payday loan fees in Los Angeles every year. In Los Angeles, there are 944 check-cashing outlets and 312 pay day lenders, but only 694 bank and credit union branches.

Since New York City started pursuing BDDs aggressively under NYC Comptroller Thompson in 2003, the number of BDD branches increased from 7 to 25. New York City currently has \$200 million invested in BDD branches and is committed to investing \$50 million more. Additionally, there are currently 38 total approved BDD branches in the State of New York.