



February 23, 2010

Dear Bank Executives,

It's time to do your part to support a recovery in Los Angeles!

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Less than a year ago, taxpayers made \$4.7 trillion available to Wall Street and the Big Banks to save your companies and stimulate the economy but banks have failed to pass the benefits onto our communities. We are now facing the devastating consequences with over 9 million lost jobs nationally and \$6 trillion lost in homeowner wealth. As a result, income and property tax revenues are falling off a cliff. Los Angeles County lost over \$440 million in property taxes in 2008 alone.

The cause of the public budget crisis in Los Angeles as well as cities across this country is not hard to understand. The banks crashed the economy which created massive shortfalls in essential property tax and income revenue for critical public services. The City of Los Angeles is facing a \$200 million budget hole in the current fiscal year and a deficit of \$400 million next year. Critical services like parks, prosecutors, and neighborhood services are facing cuts leaving the most vulnerable Angelenos out in the cold.

Taxpayers urgently need solutions, both big and small, but the banks are not doing their part. Instead, the banks paid out over \$140 billion in bonuses and compensation this year, while foreclosing on millions more homes, cutting back on lending to small businesses, and raising consumer fees. Banks sold toxic loans to Los Angeles that are costing taxpayers \$10 million a year in excessive interest. Banks' actions are hurting our communities and directly standing in the way of a recovery. For example:

- Banks have made permanent modifications on a mere 3,469 mortgages. Yet some 120,000 homes in LA County are currently in foreclosure.¹ The foreclosure crisis has had a serious impact on tax revenues that fund basic services. Based on data from the Los Angeles County tax assessor, the county is likely to lose \$440 million in annual tax revenue as a result of the reassessments conducted in 2008 alone.² The property tax impact of home value declines in the Los Angeles area could reach as much as \$3.5 billion in lost annual tax revenue.³
- Lending to small businesses in the Los Angeles metro area is down 50%. When businesses can't borrow, they can't hire or grow, and our economy can't recover.
- Banks sold Los Angeles on complex municipal derivatives meant to fund wastewater improvement and major projects. When the economy collapsed, banks profited at taxpayer expense through these toxic "interest rate swaps." Furthermore, evidence is mounting that the banks may have illegally rigged the bidding on these swap deals. The City of Los Angeles is currently paying \$10 million a year in fees to banks that could fund city services.
- The rating agencies, banks, and investors know that if the City of Los Angeles was rated like corporate borrowers, we would be rated AAA. If L.A.'s credit rating really reflected the risk of it defaulting on its bond payments, we wouldn't be threatened with a downgrade and fear higher interest rates, we wouldn't have to consider buying risky debt products to cut borrowing costs, and we certainly wouldn't have to slash the workforce and vital services to satisfy the rating agencies. The threat that banks

1 RealtyTrac, as of 2/18/10.

2 The property tax roll was reduced by \$44.5 billion. Calculation is \$44.5 billion x 1%, the property tax rate in California. Property tax decline validated by news accounts. Sources: <http://assessor.lacounty.gov/extranet/news/rollrfs2009.pdf>, <http://latimesblogs.latimes.com/lanow/2009/06/property-tax-relief-coming-for-more-330000-la-county-homeowners.html>.

3 If property values remain at current levels and properties are reassessed over time. Based on median home values from Zillow.com, effective property tax information from the Tax Foundation, and number of housing units from the American Community Survey. Effective property tax is assumed to be the same as that of Los Angeles County, which has an 0.56% rate (figures not available at the city level).

will charge outrageous interest rates for short term borrowing and high fees to provide letters or credit or bond insurance is forcing severe budget cuts.

The citizens of Los Angeles are ready to say ENOUGH. We bailed out the big banks and we expect the banks to do their part to help put our economy back on track. We demand that your bank take the following steps to help Los Angeles families, contribute to our communities and put our economy back to work for us all.

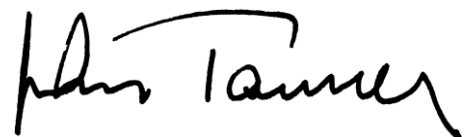
- **Save city taxpayers \$10 million a year by renegotiating or canceling current interest rate swaps to protect services from being cut.**
- **Stop all foreclosures to keep families in their homes and save plummeting property tax revenues that increase budget deficits.**
- **Modify all loans in which homeowners now owe more than their homes are worth.** Allow tenants them to continue to rent property until it is sold. Banks foreclosures are hurting families and directly increasing budget deficits that are forcing cuts to our schools and other vital services.
- **Provide the same affordable loans to local governments that banks receive from the federal government. Local governments are currently being charged extremely high rates for short term loans. Yet the Federal Reserve is lending money to banks at a “special” interest rate for short-term borrowing that is speculated to be as low as 0.5%. Banks’ higher rates are costing taxpayers hundreds of millions of dollars in interest payments that further increase budget deficits.**
- **Restore small business lending.** Restoring lending through the government’s SBA lending programs to pre-crash levels would generate estimated \$556 million for the local economy.
- **Stop abusive bank fees and credit card rates, allowing Angelenos to put that money into the local economy.** According to a recent study, banks stand to make \$38.5 billion in overdraft fees a year — almost \$2 billion from the Los Angeles metro area alone. By cancelling or lowering abusive overdraft fees the banks could help inject up to an estimated at \$1.7 billion into the Los Angeles economy. Furthermore, reducing credit card interest rates by just 1% would put another \$382 million back into the L.A. economy every year.

Through their irresponsible behavior, greed and reckless pursuit of profit, the banks and Wall Street created an economic crisis that has had profound impact on Main Street. Now the banks are back to profits and paying themselves all-time record compensation while the vast majority of people through Los Angeles and America suffer through unprecedented hard times and ever-widening budget deficits. This is simply unacceptable.

If the banks want to continue to benefit from taxpayers’ hard earned dollars then their behavior must change. It is time for the banks to step up and start providing real relief to the people who bailed them out a year and a half ago.



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