Money Moving Away From Big Banks

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> It's getting expensive these days to be a bad citizen in America, if you're a major bank. A growing number of cities around the country have passed, introduced or drafted responsible banking ordinances that hit big financial institutions where it hurts most - the pocketbook.

Los Angeles drafted a responsible banking ordinance in March that assesses banks that do business with the city based on foreclosure data; in February, Kansas City, Missouri, passed a resolution ordering the city manager to only do business with banks that don't engage in predatory lending; and in November, New York City introduced legislation that would force banks that want to hold city deposits to submit community reinvestment plans.

And just days ago, in Massachusetts, the city of Brockton was persuaded to move its money out of Bank of America and JPMorgan Chase altogether after they refused to negotiations on loan modifications for homeowners facing foreclosure.

The movement to divest from banking institutions continues to gain ground, as cities with large amount of capital join individuals, unions and congregations in pulling their money out of banks, or looking more carefully at the conditions a financial institution must meet to hold their money.

"I think it's because there are millions of people who for various reasons are angry at the way banks have taken control of the economy and our democracy," said Ilana Berger, co-director of The New Bottom Line, a coalition group "working together to build a movement that challenges established big bank interests on behalf of struggling and middle-class communities."

"People living under mountains of debt because of unfair fee and predatory practices for a long time felt like we need another solution," continued Berger, while "banks are not acting in the way that is in the best interests of our community and our economy."

"Over the past few months people have started to see a movement that addresses this," she said.

Legislation is also being considered in "Austin, Boston, the Bay Area (San Francisco/Oakland, CA), Chicago, Minneapolis, San Jose, CA, and Portland, OR.," according to The New Bottom Line.

Bank of America, Wells Fargo and JPMorgan Chase have all come under fire since they were bailed out by the federal government in 2008 for actions that community groups say may have helped their stockholders, but often left people facing unfair foreclosure. These included predatory lending, robo-signing of foreclosure documents and risky investments.

While divestment from big banks began as a progressive issue, with the Occupy movement taking on the rallying cry as well as groups like Move Our Money, Berger says that "if you are in a city with a very high foreclosure rate, you don't have to be progressive to see that it's costing the city money."

It's become a "common sense issue," said Berger.

While the sheer financial power of cities makes them a huge player in the divestment movement, other groups that could have an impact have also jumped on board.

These include churches and union groups, both of which have economic muscle and a connection to the community, said Tim Lilienthal, lead organizer for bank accountability with the Pico National Network.

"If you go into any corner of the country and go into any congregation, there are lots of things that they are dealing with, hearing the same stories that people have been experiencing this for years and years," said Lilienthal.

The Pico group estimates that 25 different congregations in their network have together moved $30 million from big banks. Most recently, a San Jose priest made headlines when he diverted $3 million from Bank of America to a local credit union.

The primary demand coming from the groups that Berger and Lilienthal work with is for banks to agree to large-scale principal reduction, a move that they say could help thousands of homeowners.

Principal reduction would reduce the amount of money that underwater homeowners, who owe more money than their houses are worth, are paying on their mortgages and, thereby, stem the tide of foreclosures.

ProPublica has called the issue "one of the most politically charged debates about the housing crisis," and the Federal Housing Finance Agency (FHFA), which oversees the mortgage giants Fannie Mae and Freddie Mac, has been vehemently against the proposal.

According to a report by The New Bottom Line, principal reductions by big banks would create one millions jobs annually, save taxpayers money and would let the average family pay $500 per month less on their mortgage.

Until this aim is achieved, Lilienthal said he sees the divestment movement continuing to grow.

"What we are aspiring to is not just think about where we are moving our money out of," he said, "but also think of our money as being kind of an organized force."

http://tinyurl.com/75eqrrx

Cleaves Alternative News. http://cleaves.lingama.net/news/story-3113.html