

APRIL 2011

ALL THE FORECLOSURES MONEY CAN BUY



HOW WALL STREET
IS SPENDING MILLIONS TO
BUY INFLUENCE IN CALIFORNIA



public
accountability
initiative



Alliance of Californians for Community Empowerment

Wall Street banks are spending \$50,000 a day to buy influence and Californians are paying the price.

Three years into the Wall Street-created economic crisis, Californians continue to lose jobs, homes, and billions in personal wealth, leading to record budget deficits. California is the hardest-hit of all states with the highest number of foreclosures in the United States.

At the same time, Wall Street has flooded the state capitol with \$70 million in political cash and used its influence to fight meaningful reforms to stop foreclosures and put the state's economy back on track. New data reveals the extent of political spending by big banks, their industry associations, and the financial industry as a whole from 2007 to 2010 in California (totals include campaign contributions and lobbying expenditures):¹

- **Big banks**..... **\$9,174,585**
(Bank of America, JPMorgan Chase, Citigroup, Wells Fargo, Goldman Sachs, Morgan Stanley)
- **Lobbyists and industry associations**..... **\$4,578,805**
- **Financial industry as a whole**.....**\$69,187,242**

To put the numbers in perspective, the financial industry spent nearly \$50,000 each day during the last four years.

At the same time, Californians are paying a steep price for Wall Street's predatory and risky lending practices and political influence:

- There have been **1.2 million foreclosures** in the state since 2008, with the number expected to exceed 2 million by the end of 2012.
- California is the hardest hit of all fifty states, accounting for **one in every five foreclosures in the US.**
- The 2 million foreclosures expected through 2012 are estimated to cost homeowners, property taxes, and local governments an estimated **\$650 billion up to \$1 trillion.**²

In the coming months, the state legislature is set to consider a number of reforms to reduce foreclosures and mitigate their costs to California taxpayers, including the Homeowner Protection Package (see final section), but the banks' continued influence over the political process threatens to derail these attempts to address the crisis. **Will Wall Street win again, at the expense of everyday Californians?**

¹ Contribution and lobbying expenditures were compiled by MAPLight.org, a nonpartisan influence tracking organization, based on publicly available data from the California Secretary of State's Web site. Industry classification is provided by the National Institute on Money in State Politics.

² According to an analysis in "Home Wreckers: How Wall Street Foreclosures are Devastating Communities."

The financial industry spent **\$70 million** buying influence in California over the past four years.

The financial industry is a formidable force in California state politics. Banks, investment firms, and other financial industry interests have won this influence by flooding political coffers with tremendous amounts of cash and hiring lobbyists to do their bidding in Sacramento.

From 2007 to 2010, as the foreclosure crisis exploded in California, the banking industry spent \$69.1 million on campaign contributions and lobbying expenditures in the state, according to data from MAPLight and the National Institute on Money and State Politics.³

Lobbying expenditures:	\$23,311,814
Campaign contributions:	\$45,875,428
TOTAL spent by banking industry:	\$69,187,242

To put the numbers in perspective, the financial industry spent...

- **\$47,388 each day** during the last four years.
- **\$58 for each of the 1.2 million foreclosures** in California, 2008-2010.⁴

This financial industry cash could be put to work throwing vital lifelines to families in need, but is instead being spent to secure political allies and pave the way for bank-friendly policies that will likely force more California families out of their homes, hit the home values of all California homeowners, and stick taxpayers with foreclosure-related costs.⁵

Californians are paying a steep economic price for the banks' political investments. The \$58 per foreclosure buys Wall Street banks the ability to push the tremendous costs of foreclosures onto California homeowners, taxpayers, and communities:⁶

- Estimated \$337,379 home value loss per foreclosure to the surrounding community.
- As housing values decline, property tax revenue losses of \$2,058 for every foreclosure.
- Local government foreclosure-related costs of \$19,229 for every foreclosure.

³ Banking industry totals include contributions and lobbying expenditures from the following industries as defined by the National Institute on Money in State Politics: Banks & lending institutions; Credit agencies & finance companies; Investment Holding Companies; Financial services & consulting; Investors; Other financial services; Miscellaneous finance, insurance & real estate; Mortgage bankers & brokers; Savings banks & savings and loans; Commercial banks & bank holding companies; Securities, commodities & investment; Security brokers & investment companies; Commodity brokers & dealers; Investment banking; Venture capital; Stock exchanges.

⁴ Data from RealtyTrac via "Home Wreckers: How Wall Street Foreclosures are Devastating Communities," available at: <http://www.homedefendersleague.org/wp-content/uploads/2011/03/Home-Wreckers-Report-March-16-2011.pdf>

⁵ According to an analysis in "Home Wreckers: How Wall Street Foreclosures are Devastating Communities," foreclosure-related costs to local governments are estimated to be \$17.4 billion from 2008-2012, or \$19,229 per foreclosure; an estimated \$3.8 billion in property taxes will be lost, 2008-2012, or \$2,058 per foreclosure; and costs to homeowners total a minimum \$632 billion and up to \$1 trillion.

⁶ Cost analysis is in "Home Wreckers: How Wall Street Foreclosures are Devastating Communities," available at: <http://www.homedefendersleague.org/wp-content/uploads/2011/03/Home-Wreckers-Report-March-16-2011.pdf>

Big banks and their hired guns spent **\$13.8 million** on lobbying and campaign contributions in California over the past four years.

The top Wall Street banks – Bank of America, Citigroup, JPMorgan Chase, Wells Fargo, Goldman Sachs, and Morgan Stanley – accounted for the greatest share of the reckless speculation that inflated the housing bubble, received the greatest share of federal bailout funds, and are foreclosing on more California homes than any other banks.⁷

The banks and their lobbying associations – the California Bankers Association, the California Independent Bankers Association, and the California Mortgage Bankers Association – also account for a large share of the financial industry’s political spending. Combined, they have spent close to \$14 million on lobbying expenditures, company and PAC campaign contributions, and employee campaign contributions.⁸

Table 1: Political Spending By Big Banks and Bank Lobbying Associations

	Company/PAC Contributions	Employee Contributions	Lobbying Expenditures	Total
Bank of America	\$1,238,128	\$182,293	\$1,777,249	\$3,197,670
Citigroup	\$735,510	\$21,210	\$1,684,888	\$2,441,608
Goldman Sachs	\$78,455	\$233,645	\$0	\$312,100
JPMorgan Chase	\$290,530	\$97,665	\$650,490	\$1,038,685
Morgan Stanley	\$54,221	\$137,873	\$325,482	\$517,576
Wells Fargo	\$564,048	\$372,121	\$730,777	\$1,666,946
CA Bankers Assn	\$765,773	-	\$2,888,211	\$3,653,984
CA Independent Bankers Assn	\$17,156	-	\$287,356	\$304,512
CA Mortgage Bankers Assn	\$130,637	-	\$489,672	\$620,309
Total	\$3,874,457	\$1,044,807	\$8,834,127	\$13,753,391

⁷ Bank of America, Citigroup, Wells Fargo, and JPMorgan Chase are the top banks foreclosing on Californians, according to Foreclosure Radar.

⁸ Contribution and lobbying expenditures were compiled by accessing publicly available data from the California Secretary of State’s Web site. The entity totals were compiled by totaling the groups’ contributions to California state candidates and committees and their lobbying expenses from Jan. 1, 2007 to Dec. 31, 2010, spanning the 2007-2008 and the 2009-2010 election cycles.

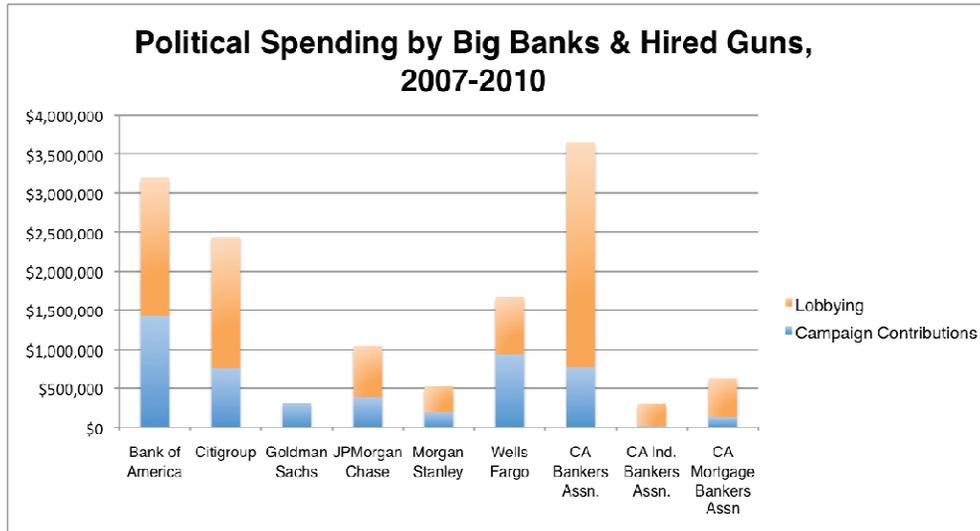


Table 2: Recipients of Big Bank & Hired Gun Campaign Contributions*

Recipient	Total Received
Candidates	\$2,249,350
CA Public Securities Assn PAC	\$408,503
Various Ballot Measures	\$327,500
California Democratic Party	\$312,498
Various Other PACs	\$283,440
California Republican Party	\$267,100
Other Expenses	\$26,068

* Does not include employee contributions.

Wall Street **Banks** Fighting California **Homeowner** Interests

The big banks use their ample funds to push their agenda in the capitol:ⁱ



BANK OF AMERICA **CEO Brian Moynihan**

Federal taxpayer bailout funds received: ⁱⁱ	\$230.1 billion ⁱⁱⁱ
Profits since bailout (2009-2010):	\$4.0 billion
2010 CEO Brian Moynihan bonus:	\$9.05 million ^{iv}
2010 CEO Brian Moynihan total pay:	\$10 million ^v
2010 bonuses and compensation:	\$35.1 billion



JP MORGAN CHASE **CEO Jamie Dimon**

Federal taxpayer bailout funds received: ^{vi}	\$100.7 billion ^{vii}
Profits since bailout (2009-2010):	\$29.1 billion
2009 CEO Jamie Dimon pay: ^{viii}	\$17.5 million ^{ix}
2010 bonuses and compensation:	\$28.4 billion



WELLS FARGO **CEO John Stumpf**

Federal taxpayer bailout funds received: ^x	\$43.7 billion ^{xi}
Profits since bailout (2009-2010):	\$24.6 billion
2010 CEO John Stumpf bonus:	\$14.3 million ^{xii}
2010 CEO John Stumpf total pay:	\$17.1 million ^{xiii}
2010 bonuses and compensation:	\$27.2 billion



CITIGROUP **CEO Vikram Pandit**

Federal taxpayer bailout funds received: ^{xiv}	\$414.9 billion ^{xv}
Profits since bailout (2009-2010):	\$9.0 billion
2008-2010 CEO Vikram Pandit pay:	10.8 million ^{xvi}
2010 bonuses and compensation:	\$24.4 billion



GOLDMAN SACHS **CEO Lloyd Blankfein**

Federal taxpayer bailout funds received: ^{xvii}	\$53.4 billion ^{xviii}
Profits since bailout (2009-2010):	\$21.7 billion
2010 CEO Lloyd Blankfein bonus:	\$12.6 million ^{xix}
2010 CEO Lloyd Blankfein total pay:	\$13.2 million ^{xx}
2010 bonuses and compensation:	\$15.4 billion



MORGAN STANLEY **CEO James Gorman**

Federal taxpayer bailout funds received: ^{xxi}	\$36.3 billion ^{xxii}
Profits since bailout (2009-2010):	\$6.0 billion
2009 CEO James Gorman pay:	\$15.0 million ^{xxiii}
2010 bonuses and compensation:	\$16.0 billion

The banks' political influence may **block reforms** that could address the foreclosure crisis **devastating California communities**.

California policymakers have an opportunity to address and minimize the foreclosure crisis and its effects on the state's homeowners and taxpayers.

The Homeowner Protection Package is a comprehensive policy solution to reduce home foreclosures and provide financial relief for communities rocked by foreclosures.

- Homeowner Protection Act: SB 729 (Steinberg/Leno) requires mortgage servicers to complete efforts to negotiate a loan modification before they can proceed with the foreclosure.
- Foreclosure Fee: AB 935 (Blumenfield) will require mortgage servicers to pay a \$20,000 fee per foreclosure to help mitigate the heavy financial toll that foreclosures are taking on communities throughout the state. This will raise \$10 billion over the next two years.
- Title Transparency: AB 1321 (Wieckowski) will require that all mortgages and assignments/transfers of mortgage loans be recorded with the county. Homeowners have a right to know who holds their loan!

Will California's legislators represent their **constituents**, or look out for Wall Street **banks**?



Public Accountability Initiative (PAI) is a non-profit, non-partisan watchdog organization focused on corporate and government accountability. PAI's mission is to facilitate and produce investigative research that supports citizen-led accountability efforts. PAI's hard-hitting research reports on topics such as wasteful government subsidies, corporate lobbying efforts, conflicts of interest, and Wall Street fraud have been cited by the New York Times, the Wall Street Journal, and numerous other media outlets.



Alliance of Californians for Community Empowerment (ACCE) is a multi-racial, democratic, non-profit community organization building power in low to moderate income neighborhoods to stand and fight for social, economic and racial justice. ACCE has chapters in eleven counties across the State of California.

ⁱ Figures are from Capital IQ unless otherwise noted.

ⁱⁱ Includes bailouts that BofA has paid back and federal guarantee programs it has exited.

ⁱⁱⁱ <http://nomiprins.squarespace.com/storage/bailouttallyoct2010.pdf>

^{iv} <http://dealbook.nytimes.com/2011/01/31/bank-of-america-c-e-o-gets-9-05-million-stock-bonus/>

^v <http://dealbook.nytimes.com/2011/01/31/bank-of-america-c-e-o-gets-9-05-million-stock-bonus/>

^{vi} Includes bailouts that the bank has paid back.

^{vii} <http://nomiprins.squarespace.com/storage/bailouttallyoct2010.pdf>

^{viii} 2010 not yet available

^{ix} <http://dealbook.nytimes.com/2011/01/28/blankfein-gets-13-2-million-for-2010/>

^x Includes bailouts that the bank has paid back.

^{xi} <http://nomiprins.squarespace.com/storage/bailouttallyoct2010.pdf>

^{xii} WFC DEF 14A, 21 Mar 2011,

<http://www.sec.gov/Archives/edgar/data/72971/000119312511072275/ddef14a.htm>

^{xiii} WFC DEF 14A, 21 Mar 2011,

<http://www.sec.gov/Archives/edgar/data/72971/000119312511072275/ddef14a.htm>

^{xiv} Includes bailouts that the bank has paid back.

^{xv} <http://nomiprins.squarespace.com/storage/bailouttallyoct2010.pdf>

^{xvi} <http://online.wsj.com/article/SB10001424052748704115404576096473337115378.html>

^{xvii} Includes bailouts that the bank has paid back.

^{xviii} <http://nomiprins.squarespace.com/storage/bailouttallyoct2010.pdf>

^{xix} <http://dealbook.nytimes.com/2011/01/28/blankfein-gets-13-2-million-for-2010/>

^{xx} <http://dealbook.nytimes.com/2011/01/28/blankfein-gets-13-2-million-for-2010/>

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^{xxii} <http://nomiprins.squarespace.com/storage/bailouttallyoct2010.pdf>

^{xxiii} <http://online.wsj.com/article/SB10001424052748704115404576096473337115378.html>