



**City of Long Beach**  
*Working Together to Serve*

**Office of Gerrie Schipske**  
**Councilwoman, Fifth District**  
**Memorandum**

**NB-22**

Date: December 13, 2011

To: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

From: Councilwoman Gerrie Schipske, Fifth District *GS*  
Councilmember Rae Gabelich, Eighth District *RG*  
Councilmember Steve Neal, Ninth District *SN*

Subject: **AGENDA ITEM:** Developing a Responsible Investment Policy In Connection with City Investments in Bank America, Freddie Mac (Federal Home Loan Mortgage Corporation) and Fannie Mae (Federal National Mortgage Association)

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### **BACKGROUND**

The City of Long Beach invests cash in excess of \$176 million in both Union Bank and Bank of America. Additionally, the City's short-term and long-term investment portfolio amounts to tens of millions invested in Freddie Mac (Federal Home Loan Mortgage Corporation) and Fannie Mae (Federal National Mortgage Association).

Numerous lawsuits have been filed against FHLM and FNMA because they have invested their portfolio in high risk, low quality mortgages that carried high risks and subsequently resulted in massive losses. Additionally, both agencies guaranteed billions of dollars of sub-prime, high-risk mortgages sold to others.

The Federal Housing Finance Agency in September 2011, filed suits against Bank America and 16 other banks for selling FHLM and FNMA mortgage backed securities that soured and for which the federal conservator of FHLM and FNMA is seeking repayment.

Last week, the California Attorney General Kamala Harris announced a joint effort with the Attorney General of Nevada in the investigations of wrongdoing in mortgage loan origination, servicing, and securitization. Attorney General Harris is also investigating Bank America and FNMA and FHLM.

Both FHLM and FNMA have announced that they are suspending evictions during the holiday season (Dec. 19 to Jan. 2) for mortgages they back. These lenders hold about 50 percent of all mortgages in the US.

### **DISCUSSION**

One in 243 homes in California are in foreclosure. Many residents of Long Beach are facing foreclosure or mortgages with payments far exceeding their abilities to pay.

Others have already lost their homes. Many complain that the lenders refuse to work out solutions with homeowners that would modify their loans and provide a means being able to keep their homes.

HONORABLE MAYOR AND CITY COUNCIL

Developing a Responsible Investment Policy In Connection with City Investments

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Small businesses, which generate 65% of jobs in the economy, are unable to obtain loans and credit from banks that would allow them to expand their operations and to increase jobs. Unemployment in Long Beach remains near the highest rate in the State of California.

It does not seem logical nor right that the City of Long Beach would be placing cash or investments in financial entities which are putting our residents in severe economic hardship or in entities that are the focus of national and state investigations and litigation. (The City of Long Beach has already sustained a substantial loss due to investments made with Lehman Brothers, which like FNMA, and FLHM took serious risks with investors' monies.)

Alternatively, because of the City of Long Beach's large investments, it is logical that the City would leverage its clout with these financial entities to make certain that they work with our residents to prevent foreclosures and that money be made available to our local businesses so that they can maintain and grow their businesses and jobs.

**RECOMMENDATION**

That the City Council approve the following:

a) Direct the City Manager and the City Treasurer to return to the City Council within 30 days with a report about:

- The soundness of short and long-term investments in Bank of America, Freddie Mac (Federal Home Loan Mortgage Corporation) and Fannie Mae (Federal National Mortgage Association);
- The status of all state and federal legal actions against these entities;
- Alternative investments available;
- The number of mortgages currently held on Long Beach properties by Bank America, Freddie Mac and Fannie Mae;
- The number of foreclosures processed on Long Beach properties by Bank America, Freddie Mac and Fannie Mae in the past 5 years; and
- The number of business loans made by Bank American to Long Beach businesses in the past three years.

b) Direct the City Manager to send a letter to these financial entities expressing the sense of the Mayor and the City Council that because of our large investments we are demanding that every effort be taken to prevent the foreclosures of residential properties in Long Beach, including but not limited to loan modification and extension of the foreclosure process; and that we further demand that business loans be made available to businesses on a reasonable basis to enable these small businesses to create additional jobs.



**City of Long Beach Memorandum**  
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## **REQUEST TO ADD AGENDA ITEM**

**Date:** *December 9, 2011*

**To:** Larry Herrera, City Clerk

**From:** *Councilwoman Gerrie Schipske, Fifth District* GS

**Subject:** Request to Add Agenda Item to Council Agenda of *December 13, 2011*

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Pursuant to Municipal Code Section 2.03.070 [B], the City Councilmembers signing below request that the attached agenda item (due in the City Clerk Department by Friday, 12:00 Noon) be placed on the City Council agenda under New Business via the supplemental agenda.

The agenda title/recommendation for this item reads as follows:

**AGENDA TITLE:** Developing a Responsible Investment Policy In Connection with City Investments in Bank America, Freddie Mac (Federal Home Loan Mortgage Corporation) and Fannie Mae (Federal National Mortgage Association)

**RECOMMENDATION:** That the City Council approve the following:

a) Direct the City Manager and the City Treasurer to return to the City Council within 30 days with a report about:

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- The status of all state and federal legal actions against these entities;
- Alternative investments available;
- The number of mortgages currently held on Long Beach properties by Bank America, Freddie Mac and Fannie Mae;
- The number of foreclosures processed on Long Beach properties by Bank America, Freddie Mac and Fannie Mae in the past 5 years; and
- The number of business loans made by Bank American to Long Beach businesses in the past three years.

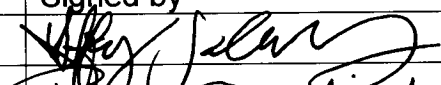


b) Direct the City Manager to send a letter to these financial entities expressing the sense of the Mayor and the City Council that because of our large investments we are demanding that every effort be taken to prevent the foreclosures of residential properties in Long Beach, including but not limited to loan modification and extension of the foreclosure process; and that we further demand that business loans be made available to businesses on a reasonable basis to enable these small businesses to create additional jobs.

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Memo: Supplemental Agenda : Developing a Responsible Investment Policy In Connection with City Investments in Bank America, Freddie Mac (Federal Home Loan Mortgage Corporation) and Fannie Mae (Federal National Mortgage Association)

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Council District	Authorizing Councilmember	Signed by
5	GERRIE SCHIRSKE	
8	<del>Rep</del> Gabelich	
9	Steven Neal	

CC: Office of the Mayor