Union Proposal on Responsible Banking and Contracting

Thursday, October 1, 2015

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MEMORANDUM OF AGREEMENT

Responsible Banking and Contracting

This Memorandum of Agreement is by and between the Board of Education, Independent School District No. 625 (hereinafter "District"); and the Saint Paul Federation of Teachers, Local No. 28 (hereinafter "Federation") exclusive representative for teachers. It is entered into for the sole purpose of setting requirements for the District's selection of providers of district banking and contracting services.

The parties agree that, as one of the largest customers of banking and other services in the metro area, the Saint Paul Public Schools' selection of banks and contractors is related to teacher working conditions and the ability of educators to meet their professional goals of providing excellent education to all students. This is because the policies and practices of banks and contractors the District does business with has a direct impact on the home and community lives of the children served by our schools.

Responsible Banking

Foreclosures cause homelessness and impact the academic performance of children.

- Foreclosure, or eviction from an apartment as a result of foreclosure, disrupts students' lives as their families are forced to move. Students may have to change schools or even school districts, adjust to a different curriculum, and develop new relationships with teachers and peers.
- Research has shown that involuntary residential moves and within-year school switching can have detrimental effects on children's academic and social development. Disruptive residential moves are linked to problems such as grade retention, failure to complete school, and a lack of interpersonal skills.
- Many foreclosures, particularly those on rental properties that lead to sudden evictions of tenants, lead to homelessness. Almost 1,600 individuals — including families and youth — are homeless in Ramsey County each night. Nearly half of those homeless people are young people 21 and younger.

- Foreclosures impact communities in many ways: Families are forced to move; homes are left vacant (leading to crime, vandalism and further reductions in neighborhood property values); property taxes may not be paid on properties going through foreclosure; neighborhood businesses may close due to loss of customers leading to job losses, more foreclosures, and further negative impacts.

Foreclosures have disproportionately affected families of color. According to an April 2014 report from the Institute on Metropolitan Opportunity at the University of Minnesota Law School:

- Differences in income do not account for the racial disparities in home lending practices in the Twin Cities. Very high-income African-American and Hispanic borrowers were more likely to get subprime loans than very low-income whites. (Subprime loans are defined as housing loans with higher interest rates and less favorable terms such as fees, escalating adjustable rates, balloon payments, etc. Many of these loans were packaged as mortgage-backed securities which ultimately defaulted, causing the financial crisis of 2007-8. Subprime loans are much more likely to end in foreclosure.)
- Subprime loans are highly concentrated in diverse and majority non-white neighborhoods. For example, in the Battle Creek and Dayton's Bluff neighborhoods of St. Paul, only 25 percent of loans made to white applicants were subprime while 42 percent of loans made to minority applicants were subprime.
- Problems persist today: high income non-white borrowers are still more likely to have loan requests denied than low income whites and financing is far less available in diverse and majority non-white neighborhoods.
- Controlling for income, residents of majority non-white neighborhoods are approved for only 60 percent as many new home loans and only 38 percent as many home refinance applications as residents in majority white neighborhoods.
- Very high income African-American applicants are still less likely to be approved for a loan than very low income whites.
- If the home purchase and refinance portfolios of local banks simply reflected the income distribution of Twin Cities neighborhoods, 13,000 more loans would have been made in diverse and non-white neighborhoods between 2009-2012 (a 55 percent increase). Nearly one fourth of this entire shortfall is attributable to Wells Fargo, the region's largest home lender.
- Because foreclosure rates for subprime mortgages are substantially higher than for regular mortgages, neighborhoods where subprime loans are concentrated bear a disproportionate burden when the housing market declines.

- From 2008-2012, the Twin Cities experienced losses in excess of $20 billion due to foreclosures, declining property values, and loss of tax revenue. Losses in majority non-white neighborhoods were, on average, 2.5 times more than those in majority white neighborhoods.

In 2013-2014 there were almost 1,300 foreclosures in St. Paul. US Bank and Wells Fargo together accounted for over one-third of them.

- Many of these foreclosures could have been avoided; many homeowners who qualify for loan modifications are being denied those modifications and have faced foreclosure and many renters are forced to move on short notice because of their landlord's foreclosure.
- For the last 7 years, Minnesota state legislators have advocated for a Foreclosure Mediation Program to prevent unnecessary foreclosures, and each year Minnesota banks, including Wells Fargo and US Bank, have lobbied to block these efforts.
- The typical home in the city of St. Paul decreased $80,000 in value from 2006-2012 leading to $6 billion in total home value lost in the city. This loss in home value led to millions of dollars in lost property tax revenue for our schools.
- Losses in home values were worst in neighborhoods where more people of color reside. In the Dayton's Bluff, Payne-Phalen, North End, and Thomas-Dale neighborhoods, homes values declined, on average, by 50 percent from 2006-2012 whereas homes in the Mac-Groveland, Highland, and St. Anthony Park neighborhoods decreased in value by 20 percent during the same period.
- The practices and policies of both US Bank and Wells Fargo played major roles in the record number of foreclosures in Minnesota and throughout the United States.
- The Los Angeles Unified School District filed a lawsuit against Wells Fargo in 2014 alleging that the bank's lending practices violated the federal Fair Housing Act and resulted in foreclosures that caused a reduction of property tax revenues and loss in district revenue.
- In September 2015, the city of Oakland, CA filed a lawsuit that charged that Wells Fargo targeted Oakland's African-American and Latino homeowners for loans that were more expensive and higher risk than those made to white homeowners. Oakland's lawsuit asks Wells Fargo to compensate the city for the "great financial harm" the foreclosure crisis caused.

The Saint Paul Public School district is a large customer of both US Bank and Wells Fargo.

- Annually, over $600 million from the St. Paul Public Schools flows through US Bank and Wells Fargo for various banking services such as investments, payments, and debt issuance.
- As of June 30, 2014 the District had a total balance of $192 million spread among several bank accounts, all of which are with US Bank.
- Both US Bank and Wells Fargo are designated custodians for the $234 million in the district's brokerage accounts.
- US Bank has served as the registrar of $200 million in bonds issued by the St Paul Public schools since 2010, and Wells Fargo has been the underwriter of $57 million of these bonds.
- In the last ten years, the St. Paul Public Schools' long-term debt has increased by $175 million. The district now has almost $500 million in long-term debt. The district is paying $16 million a year in interest on that debt and will have to keep paying at least this much for years to come. In order to borrow this money, the district has paid approximately $5 million in upfront fees to banks including fees paid to US Bank and Wells Fargo.

Responsible Contracting

Many employees of outside contractors hired by the District are not paid a living wage of at least $15.16 per hour and many do not have access to earned sick leave. Many of these employees are also parents of students in the St. Paul Public Schools. Parents who aren't paid a living wage are often required to spend more hours away from their children because they need to take second or even third jobs to pay their bills. Parents without earned sick leave can't take time off with pay to be with a sick child. When the district's vendors fail to pay a living wage, it adversely impacts property values, local stores, and district tax revenue.

- The cities of both Minneapolis and St. Paul have set $15.16 as the "living wage" that businesses must pay in order to receive city subsidies.
- Providing earned sick time will mean improvements in the cost and quality of services provided by district contractors. Nationally, providing paid sick time would:
  - prevent over 1 million emergency room visits per year, saving public health services over $1 billion annually;
  - prevent $160 billion in losses because of workers performing at less than full productivity due to illness – twice as much as the cost of absenteeism due to illness;
  - reduce workplace contagion because workers without paid sick leave are more than 1.5 times as likely to go to work with a contagious illness like flu or other viral infection; and

- reduce workplace injuries because workers without paid sick leave are 28 percent more likely to be injured on the job.

Therefore the parties have agreed to the following:

1. Beginning with fiscal year 2016-17, the Saint Paul Public Schools will not use or pay for any banking services provided by any bank or other financial institution unless that bank has adopted a policy that it will not foreclose on any home or rental property where school-age children reside during a school year unless they have offered foreclosure mediation with a neutral third party to the borrower first.
2. The District and the Federation will jointly select a law firm to provide the District with a legal opinion about whether the district has suffered financial harm as the result of US Bank or Wells Fargo violations of the Fair Housing Act of 1968. Should this legal opinion indicate that the district has a cause of action against either or both of these institutions, the district will commence an action for damages, including punitive damages, against the institutions liable for the harm. Under no circumstances shall the District pay any legal fees in advance to any lawyer or law firm for this legal opinion or for expenses related to such a lawsuit. Fees shall only be paid by the District under a negotiated contingency fee structure to ensure that the District does not pay for the costs of this action unless it reaches a favorable settlement or wins a judgment.
3. Beginning with contracts entered into during the 2016-17 school year, the District will not contract out services to any outside company that does not pay at least a $15.16 per hour minimum wage to all of its employees. The District will also pay all of its own employees at least $15.16 per hour.
4. Beginning with contracts entered into during the 2016-17 school year, the District will not contract out services to any outside company that does not offer earned sick leave to all of its employees. Such paid leave shall provide, at a minimum that:
    a. Employees can accrue one hour of earned sick and safe time for every 30 hours worked, up to 72 hours a year.
    b. Employees can use accrued earned sick and safe time after 90 calendar days of employment.
    c. Employers must allow up to 40 hours of accrued earned sick and safe time to be carried over annually.
    d. Successor employer must give remaining employees all earned sick and safe time benefits earned with the predecessor employer/contractor.
    e. Earned sick and safe time can be used for:
        i. diagnosis, care, or treatment of a mental or physical illness, injury or health condition, and preventive care.

ii. care of a family member
iii. safe time for employee or family member absences due to domestic abuse, sexual assault or stalking

f. Employers may not count earned sick and safe time as absences that lead to discipline, discharge, demotion, suspension, or any other adverse action.

[Signatures]