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CITY OF OAKLAND 2012 APR 18 PM 4:36

# AGENDA REPORT

**TO:** DEANNA J. SANTANA  
CITY ADMINISTRATOR

**FROM:** Katano Kasaine

**SUBJECT:** Wells Fargo Contracts

**DATE:** April 12, 2012

City Administrator  
Approval

Date

4-18-12

**COUNCIL DISTRICT:** City-Wide

## RECOMMENDATION

Staff recommends that the City Council accept this informational report regarding the City of Oakland's ("The City") contractual agreements with Wells Fargo Bank ("Wells Fargo") for depository and custodial banking services.

## OUTCOME

On June 2, 2009, City Council authorized the City (through Resolution No. 82060) to enter into contractual agreements with Wells Fargo to provide primary depository and custodial banking services from December 31, 2009 to December 31, 2012, with the option of two renewals of one year each, at an annual cost not to exceed \$275,000 and \$25,000 respectively.

Since both contractual agreements with Wells Fargo will be expiring on December 31, 2012, the City must determine whether to renew the contractual agreements for one year.

## BACKGROUND/LEGISLATIVE HISTORY

Wells Fargo currently provides depository and custodial banking services to the City. Wells Fargo was selected through an extensive Request for Proposal ("RFP") process based on in-depth evaluation of the bank's overall qualifications and scope of services.

On March 11, 2009, the City issued an RFP for depository and custodial banking services to twenty-three banking institutions with branches or headquarters in Oakland. The City received responses to the RFP on April 3, 2009 from Wells Fargo and Bank of America to provide depository and custodial services and from Alta Alliance Bank and Bank of the West to provide depository banking services only. After thorough examination of the proposals, staff invited Bank of America, Bank of the West, and Wells Fargo as the three finalists to present their qualifications to an interview panel. The panelists ranked Wells Fargo the highest among the

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three banks after comprehensive evaluation of the bank's overall qualifications to provide the City with a full range of banking and depository services including merchant services, expedient lockbox processing, electronic data transfer with anti-fraud measures, direct deposit, and an award-winning Internet portal for web based online banking to name a few.

Recognized as a leader in technology in the banking industry, Wells Fargo's technological capabilities were a deciding factor in selecting them as the custodial services provider.

On June 2, 2009, the City Council awarded Wells Fargo both contractual agreements for depository and custodial banking services. By June 2010, Wells Fargo was fully transitioned and operating as the City's depository bank after an exhaustive and detailed implementation process.

### ANALYSIS

At the March 27, 2012 Council Finance Committee, Councilmembers requested information regarding loan modifications for residential properties in Oakland, which Wells Fargo responded to in *Attachment A*. Specifically:

- 1) **What is the total number of residential mortgages held by and serviced by Wells Fargo for residential property within the City of Oakland?**
  - Wells Fargo services 14,360 mortgages in Oakland.
- 2) **What is the total number of residential defaults of mortgages held by and serviced by Wells Fargo for residential property within the City of Oakland?**
  - This information is unavailable per Wells Fargo.
- 3) **What is the total number of loan modifications completed by Wells Fargo for residential property within the City of Oakland?**
  - During the past three years, 2,400 borrowers have completed or started a loan modification within Oakland.
- 4) **What is the total number of foreclosures by Wells Fargo for residential property within the City of Oakland?**
  - Within the last three years, a total of 1,220 foreclosure sales have been completed within Oakland. Of the foreclosures:
    - 61% of the customers worked with Wells Fargo and/or were provided a workout solution but subsequently either did not complete the process or re-defaulted on the modification.
    - The remaining 39% of foreclosures were on non-owner occupied or vacant properties or circumstances where there was no contact with the customer in spite of repeated attempts.

Over the last three years, Wells Fargo has conducted large scale Home Preservation Workshops in Oakland, Concord and Richmond. Wells Fargo met with a total of nearly 2,500 customers at the three events. On average, two of every three customers attending these workshops are

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provided some form of workout assistance. In addition to hosting their own events, Wells Fargo has partnered with local non-profits and elected officials in other foreclosure prevention workshops and events in Oakland.

At the City of Oakland's request, Wells Fargo opened a Home Preservation center in the Lakeshore district in January 2012 to provide an opportunity for customers who prefer face-to-face assistance and meet one-on-one with a home preservation specialist.

**POLICY ALTERNATIVES**

<i>Alternative # 1:</i>	Do not renew the contracts with Wells Fargo for depository and custodial banking services and issue a new RFP for banking services.
<i>Pros</i>	Allows the City to solicit banking services and evaluate proposals of banking services from qualifying banks.
<i>Cons</i>	<p>Wells Fargo Bank currently services the City's depository and custodial banking requisites. The time and effort involved in soliciting new proposals and the potential disruptions and costs involved with changing providers given the complexity of the full-range of depository services will bear economical and financial costs to the City.</p> <p>Wells Fargo distinguishes itself within the banking industry by its comprehensive products and services. As a large bank, Wells Fargo has the capacity to support the City's volume and range of banking transactions providing for a seamless operation. Smaller institutions do not have the full range of products and services required by the City.</p>
<i>Reason for not recommending</i>	No specific recommendation at this time.

**PUBLIC OUTREACH/INTEREST**

The City has had intense public outreach on this issue.

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**COORDINATION**

This report has been prepared by the Treasury Division with supporting documentation from Wells Fargo Bank.

**COST SUMMARY/IMPLICATIONS**

Because this is an informational report, there are no associated costs.

**SUSTAINABLE OPPORTUNITIES**

There is no impact to economic, environmental, or social equity opportunities following actions under this report.

**CEQA**

This report is not a project under CEQA.

For questions regarding this report, please contact Katano Kasaine, Treasury Manager, at (510) 238-2989.

Respectfully submitted,



KATANO KASAINÉ  
Treasury Manager, FMA Treasury Division

Reviewed by:  
David Jones, Principal Financial Analyst

Prepared by:  
Bernadette Bangloy de Leon, Treasury Analyst III  
Treasury Division

***Attachment A – Letter from Wells Fargo dated April 8, 2012***

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## [ATTACHMENT A]

April 8, 2012

Katano Kasaine  
Treasury Manager  
City of Oakland  
150 Frank Ogawa Plaza Suite 5330  
Oakland, CA 94612



WELLS  
FARGO

Dear Ms Kasaine,

As the City of Oakland continues to review its account relationship with Wells Fargo, I'd like to provide you with some information about our company, our business in the City of Oakland, and our commitment to the Oakland community.

A few years ago, we were proud to win the City's banking relationship as part of the competitive bid process, and we look forward to going through the process again to share how we invest in Oakland. Wells Fargo is a top local employer in the community, with just under 1,000 employees who work in Oakland. Oakland is home to my Regional Headquarters and also serves as the county headquarters for our Regional Commercial Banking Division.

Wells Fargo's presence in Oakland began in 1869 when Wells Fargo opened its first Oakland Agency at 9th & Broadway in what is now "Victorian Row." We grew large in this city and state because consumers, businesses, nonprofits and public entities chose to bank with us. While our size has grown over the years, our actions demonstrate the roots we've established in communities around the country and, in particular, our commitment to the City of Oakland.

Wells Fargo is deeply committed to supporting the community, and we are a leading corporate philanthropist. In the last two years, we have invested more than \$3.3 million in Oakland, and supported over 300 grants for local non-profits and schools including organizations such as:

- Asian Health Services
- Black Economic Council
- Oakland Children's Hospital and Research Center
- Cypress Mandela Training Center
- Stride Center
- Downtown Oakland YMCA
- Goodwill Industries
- East Bay Community Foundation
- GRID Alternatives
- Men of Valor
- Remember Them
- Oakland Museum of California
- Unity Council

Wells Fargo employees have also invested time and expertise in participating on nonprofit boards that benefit Oakland including: Inter City Advisors, the Oakland Metropolitan Chamber of Commerce, OBDC, Oakland African American Chamber of Commerce and East Oakland Youth Development Center to name just a few.

Wells Fargo's current Community Reinvestment Act (CRA) rating is a triple "Outstanding" in Lending, Services and Investments. In the City of Oakland in 2011, Wells Fargo provided 9 community development loans, totaling \$15.4 million and 45 community development investments, totaling \$13.1 million.

Wells Fargo continues to be a chief provider of credit in the market. We are proud to be the number one Small Business Lender in the market. In 2011 alone, we provided 2,751 Small Business Loans in Oakland and of that figure over 1,480 were in Low and Moderate income communities.

In an effort to help borrowers and stabilize hard-hit communities impacted by the down turn in the economy, Wells Fargo has conducted extensive outreach and we lead the industry in our efforts to help people avoid foreclosure when it is reasonably possible. Below are a few key points about our efforts in the City of Oakland.

Wells Fargo operates Home Preservation Centers in areas with concentrations of customers at risk; at the City of Oakland's request Wells Fargo opened a Home Preservation center in the Lakeshore district in January 2012. This is one of 28 Home Preservation centers throughout the country; through these centers we have helped more than 41,000 customers who prefer face to face assistance with opportunities to meet one-on-one with home preservation specialists.

Wells Fargo has been conducting large scale Home Preservation Workshops since 2009. We have had a Home Preservation Workshop in the East Bay area every year for the past three years. Our most recent event was held in Richmond in March 2012, in 2011 we hosted an event in Concord and in 2010 we hosted a 3 day event in the City of Oakland. We met with a total of nearly 2,500 customers at those three events. On average, two of every three customers who attend these events are provided some form of workout assistance.

Wells Fargo has also participated in 27 Foreclosure prevention workshops in the Bay Area including 4 in the City of Oakland, these are events that are held in conjunction with local non profits and elected officials. Wells Fargo also participates in Neighborhood Assistance Corporation of America (NACA) events; we have participated in 3 such events in the Bay Area. Additionally, Wells Fargo partners with HOPE NOW in their face to face home preservation events; Wells Fargo has participated in 3 HOPE NOW events in the Bay Area one of which was in the City of Oakland.

We do not have the total number of Notice of Defaults filed in the city but of the 14,360 loans Wells Fargo services in Oakland we do know that 92% of borrowers are paying on time or are only behind by one payment, and that since January 2009 until February 2012 2,400 borrowers have completed or started a workout arrangement.

In that same time, a total of 1,220 foreclosure sales have been completed. Of the completed foreclosures in Oakland in the last 3 years, 61% of the customers who eventually went through a foreclosure sale worked with us and/or were provided a workout solution but subsequently either didn't complete the process or re-defaulted on the modification, and 39% were foreclosures on non-owner occupied or, vacant properties, or situations where no contact had been established with the customer in spite of repeated attempts. Nationally, customers who completed a foreclosure sale were, on average, 16 to 24 months past due on their home payments at the time of the sale.

Over the last 12 months, less than 2.0% of the owner-occupied loans in our servicing portfolio have proceeded to a foreclosure sale. We have initiated or completed two modifications for every one foreclosure sale on owner-occupied homes (through December 2011). We have been successful in encouraging 80% of our customers who are 60 days or more delinquent to work with us. When they do 7 of every 10 avoid foreclosure. For those who choose to manage the challenges on their own, only 1 of every 3 avoids foreclosure. From January 2009 to October 2011, 72% of Wells Fargo modifications were completed prior to foreclosure referral. Our Single Point of Contact model helps ensure that customers receive an explanation of the process and follow-up communication about the importance of returning documents quickly and making trial payments on time in order to avoid foreclosure. Wells Fargo suspends foreclosure actions for customers who are successfully performing on trial or final modification agreements.

We have also been working with the City of Oakland to address concerns around blight on homes in our servicing portfolio. We have been in regular contact with the Deputy of the City Administrator's Office and we also asked our National REO Manager to meet with the Mayor and her staff in 2011. If there are any unanswered questions or concerns around blight in the market, we would be glad to set up additional meetings to discuss.

I hope I've been able to illustrate our deep commitment to the vibrant City of Oakland, and the community at large. At Wells Fargo, it is important for us to make a positive impact in the communities where we do business, and where our team members live and work.

Thank you for allowing me to provide this update on the work we do in Oakland. If you have any additional questions please feel free to call me directly at 510-446-5194.

Sincerely,

Jim Foley  
President  
Greater Bay Region  
Alameda, Contra Costa and Santa Clara counties

cc: Jean Quan - Mayor  
Jane Brunner – Council Member  
Patricia Kernighan – Council Member  
Nancy Nadel – Council Member  
Libby Schaaf – Council Member  
Ignacio De La Fuente – Council Member  
Desley Brooks – Council Member  
Larry Reid – Council President  
Rebecca Kaplan – Council Member  
Deanna Santana – City Administrator  
Scott P Johnson – Assistant City Administrator  
Margaretta Lin – Deputy City Administrator  
Mary Lou Lopez – Wells Fargo  
Alfredo Pedroza – Wells Fargo