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When a Bank Is too Big to Hide

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After months of trying, David confronts Goliath tomorrow in Frankfurt, Germany, at the annual shareholders meeting of the world's second largest bank.

David is otherwise known as Common Ground, an upstart, feisty, two-year old community organizing endeavor spanning four counties in southeast Wisconsin, including Milwaukee.

Goliath is Deutsche Bank (Assets: \$3.23 trillion), founded in 1870, about the same time that thousands of German immigrants were streaming into Milwaukee and turning it into a prosperous beer-making and manufacturing center.

But times have changed and Milwaukee has been struggling economically for decades, a situation recently made considerably worse by the fallout from the subprime mortgage disaster and the ensuing epidemic of housing foreclosures. Although the foreclosures have also hit neighborhoods in the nearby counties of Waukesha, Washington and Ozaukee, the concentration -- and devastation -- is greatest in the city of Milwaukee where, according to Common Ground's research, Deutsche Bank's subprime footprints are easy to spot in front of boarded up, foreclosed houses.

"Germans built Milwaukee, now a German Bank is destroying it!" is the unwelcome message Common Ground representatives are bringing to the Deutsche Bank meeting tomorrow.

Thanks to a collaboration with the Association of Ethical Shareholders Germany, two Common Ground representatives, lead organizer Mark Fraley and citizen-leader Sue Giamo, will be on the DB Bank agenda tomorrow, eyeballing DB chairman and CEO Josef Ackerman, demanding that his bank begin negotiations with Common Ground and two other big banks on a multi-million dollar strategy to clean up the mortgage mess that is polluting Milwaukee's working-class and low-income neighborhoods, as it is in cities throughout the country.

If and when DB agrees to send negotiators to Milwaukee, they will be sharing a table with their counterparts from Wells Fargo and U.S. Bank, the 4th and 6th biggest banks in the U.S. Those banks, too, initially refused to meet with Common Ground. Each was also immersed in the once-highly profitable underworld of subprime mortgages and related financial maneuvers that nearly brought down the world's financial system.

Common Ground, which is working on a range of issues from health care to public safety, was founded by some 50 interfaith religious congregations plus nonprofits and small businesses. At the moment, it is perhaps the most intriguing community organizing experiment in the country. The four counties in which Common Ground is building a nonpartisan political organization consists of the three reddest counties in Wisconsin -- John McCain carried them all with over 60 percent of the vote -- and one of the bluest, Milwaukee, which Barack Obama won by over 60 percent. The political, economic and racial differences are stark. In this era when toxic, divisive politics are the norm, the bridges of understanding, respect and cooperation Common Ground is attempting to construct in this territory are no less challenging than trying to rebuild the wounded neighborhoods in metropolitan America. All of this, including the battle to hold big banks accountable, is a work in progress that has hopeful implications beyond the four Wisconsin counties.

Common Ground's Faces of Foreclosure campaign began almost two years ago soon after its founding. On a summer Saturday afternoon, more than 50 Common Ground volunteers conducted a neighborhood walk around one of its member churches on Milwaukee's West Side. In a 10-block area, they counted 60 abandoned houses. More walks in other neighborhoods revealed similar results: foreclosed and abandoned houses that were not mere eyesores, but also havens for drug dealing and other criminal activity. According to the Milwaukee Assessor's Office, the subprime-foreclosure crisis has depressed total property values by about \$1.11 billion dollars. Even for Deutsche Bank, that's not petty cash.

A year's worth of research by Common Ground members revealed that three big banks owned nearly 40 percent of the banked-owned foreclosed houses in the city -- at least 1,600. All three, Wells Fargo, U.S. Bank and Deutsche Bank, received TARP bailout money -- in the case of Deutsche Bank, \$6 billion of taxpayer money that passed through the failed insurance giant AIG to DB as a counterparty. DB was also a major financial backer of notorious subprime lenders, including Countrywide and Ameriquest, whose nefarious handiwork will be felt in Milwaukee's neighborhoods and other cities for years to come.

But the three banks have done nothing or next to nothing to help clean up the mess to which they contributed. In fact, Milwaukee city officials believe that some banks have been all too willing to dump batches of foreclosed properties into unsavory hands. In a recent letter to the Deutsche Bank CEO, Alderman Michael Murphy, who chairs the Common Council's Finance and Personnel Committee, expressed his concern that "an increasing number of foreclosed properties [are being] purchased by speculators--many of whom are not located in the region or state -- and the number of owner-occupied residential properties in Milwaukee is declining."

Moreover, although cities like Milwaukee have received some federal Neighborhood Stabilization Program funds, virtually all knowledgeable observers agree that it is a pittance compared to the real costs of dealing with the subprime damage that has been done. And why should the taxpayers be on the hook again because the big banks were reckless, greedy and stupid?

At first, Wells Fargo and U.S. Bank stonewalled Common Ground, refusing to meet and discuss Common Ground's proposal that each of the three banks ante up \$25 million to support a comprehensive plan not only to ensure that houses are sold to responsible buyers, but also that foreclosed properties are rehabbed or, when necessary, demolished and new houses built. But after about 80 Common Ground members held a media-covered protest in front of Wells Fargo's downtown headquarters, the bank was in a more talkative mood. It also didn't hurt that Common Ground leaders have been meeting with staff at the Federal Reserve and Office of the Comptroller of the Currency, the bank regulators who can make life uncomfortable if not miserable for U. S. bank executives. This spring, Common Ground leaders finally got their meeting with Wells Fargo's regional president, who agreed to further negotiations when Common Ground finalizes its housing plan this summer. U.S. Bank will be part of those negotiations -- it agreed to meet after scores of Marquette University students, who are Common Ground members, considered closing their U.S. Bank accounts on campus, where U.S. Bank has a virtual monopoly.

But Deutsche Bank has not only refused to meet with Common Ground; it has snubbed high ranking state and local officials. Murphy, the city leader who has become a Common Ground champion, is pressing federal officials to get involved. In a recent letter to the Treasury Department's Assistant Secretary for Financial Institutions, Michael S. Barr, Murphy deplored Deutsche Bank's intransigence and said that a meeting with Deutsche Bank was a "critical matter" for the city.

As a foreign bank, Deutsche Bank is outside of the full reach of the U.S. regulatory machinery. But it has American subsidiaries and, in a competitive global economy, it may be needlessly costly for a big bank to hide from determined, aggrieved adversaries who hold the moral high ground. Indeed, Milwaukee is only one of many cities in the same boat -- the Deutsche Bank Trail of Tears runs from New Haven to Cleveland to Kansas City and beyond.

Regardless of what happens tomorrow at Deutsche Bank's shareholders meeting, Common Ground members have already demonstrated what we sometimes forget: that if we want healthier, stronger communities, ordinary people of goodwill have to fight for it -- even when that means traveling some 5,000 miles to Frankfurt, Germany.

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