# Make the Banks Pay!


moratorium-mi.org | email: moratorium@moratorium-mi.org
DetroitDebtMoratorium.org



**Cody Academy of Public Leadership Presentation**
**February 6, 2014**

Presenter: Michael Shane
Moratorium NOW! Coalition organizer
Detroit resident for more than 30 years

Handout includes slides that were skipped in today's presentation.

Slides skipped: 6, 11-12, 15, 24, 34-35, 40, 46-52,

## Outline: The Role of the Banks in Detroit's Crisis

- Who's in control?
- Historical trends
- The Great Recession
  - Home Foreclosure crisis
  - Unemployment crisis and population loss
  - Swaps and Predatory Public Financing
- The Emergency Manager and the Detroit Bankruptcy
- Next Steps



## Who's Really In Control ?

Us – the "people"

***or***

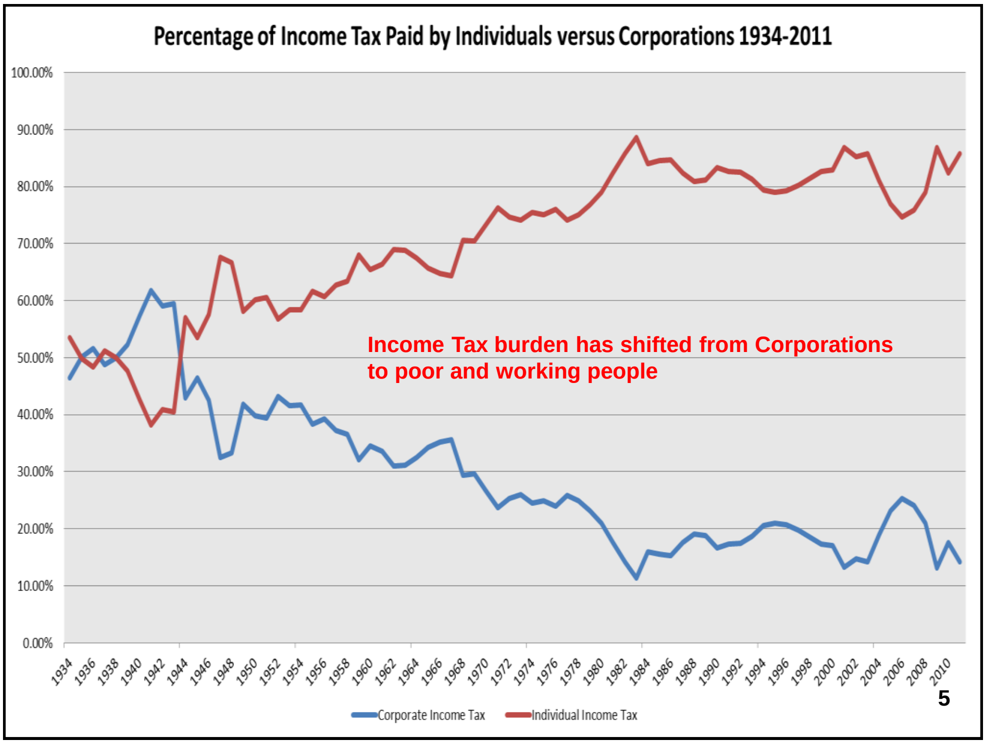
Wall Street, the Banks, and the Corporations?

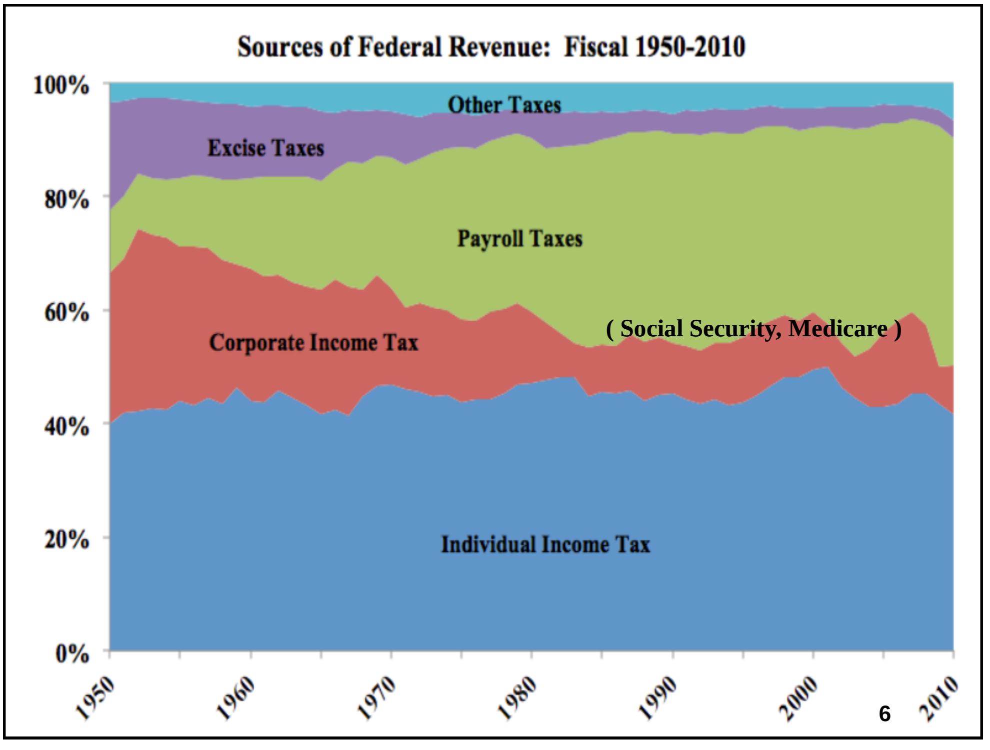
The 99%

***or***

the 1%,

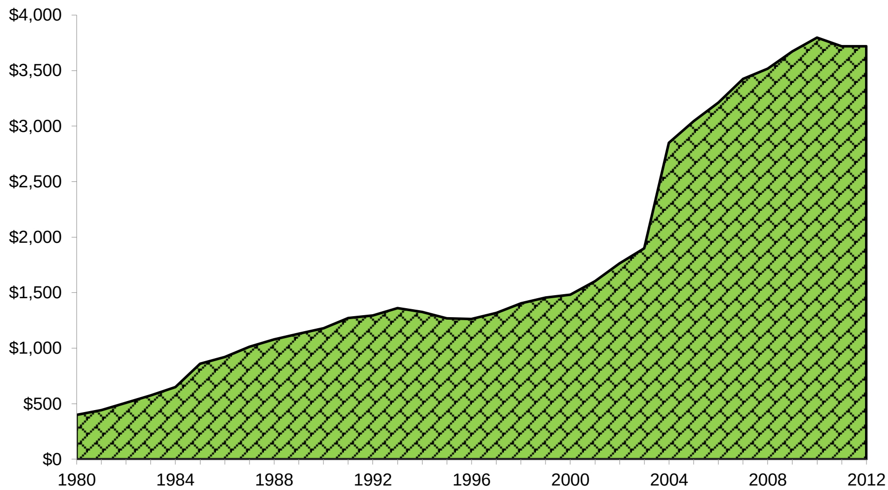
(in the language popularized by the Occupy Wall Street Movement)?


Percentage of Income Tax Paid by Individuals versus Corporations 1934-2011
100.00%
90.00%
80.00%
70.00%
60.00%
50.00%
40.00%
30.00%
20.00%
10.00%
0.00%
Income Tax burden has shifted from Corporations to poor and working people
1934 1936 1938 1940 1942 1944 1946 1948 1950 1952 1954 1956 1958 1960 1962 1964 1966 1968 1970 1972 1974 1976 1978 1980 1982 1984 1986 1988 1990 1992 1994 1996 1998 2000 2002 2004 2006 2008 2010
Corporate Income Tax
Individual Income Tax
5


Sources of Federal Revenue: Fiscal 1950-2010
100%
80%
60%
40%
20%
0%
Other Taxes
Excise Taxes
Payroll Taxes
( Social Security, Medicare )
Corporate Income Tax
Individual Income Tax
1950
1960
1970
1980
1990
2000
2010
6

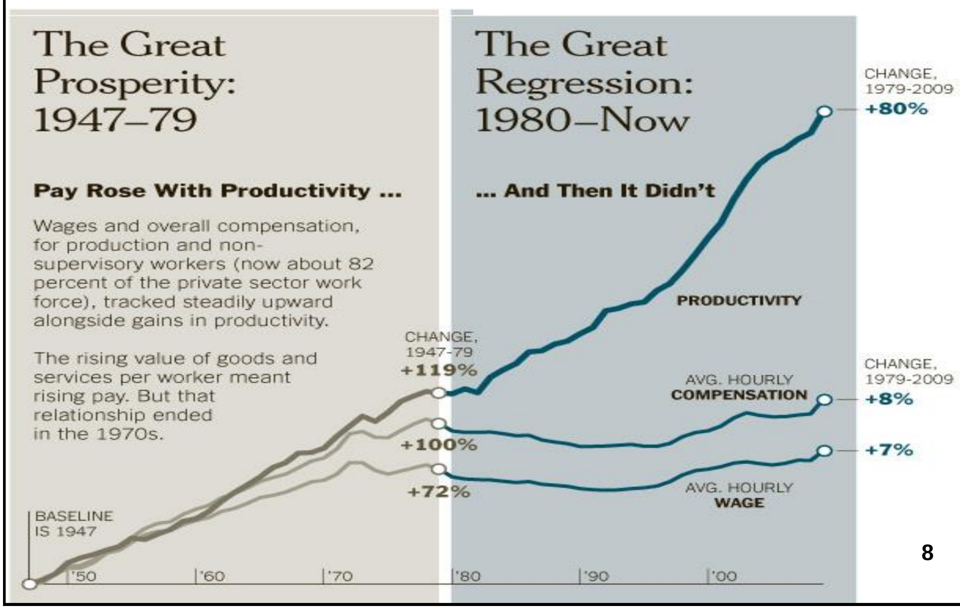
# As Corporate Taxes Go Down, Government Borrowing Going Up!

*(Outstanding municipal bonds in billions of dollars)*



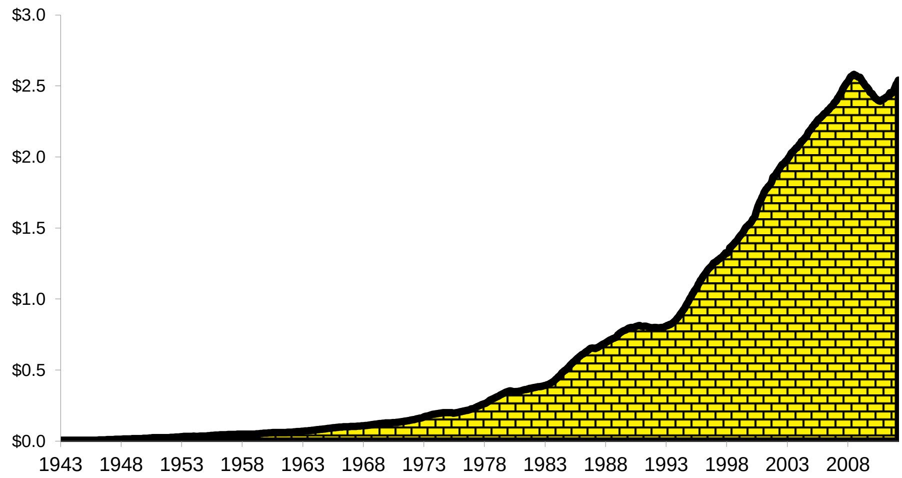



# Workers Keep Production Going Up: Corporations Stagnate Wages



# People Earning less, Borrowing More

## *Consumer Debt Exploding Since 1970's*
## *(Total Consumer debt in $trillions)*






# ***Wall Street's Secret Plan***

**21st Century Serfdom**

**Forcing People and Communities Into Debt and Dependency**

**$8 trillion** in Housing Debt

**$1 trillion** in Education Debt

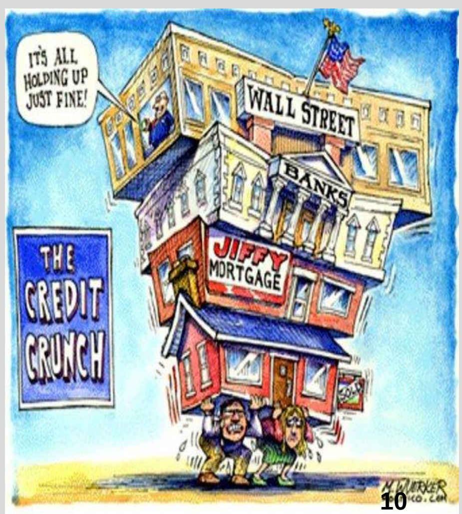
**$1 trillion** in Credit Card Debt

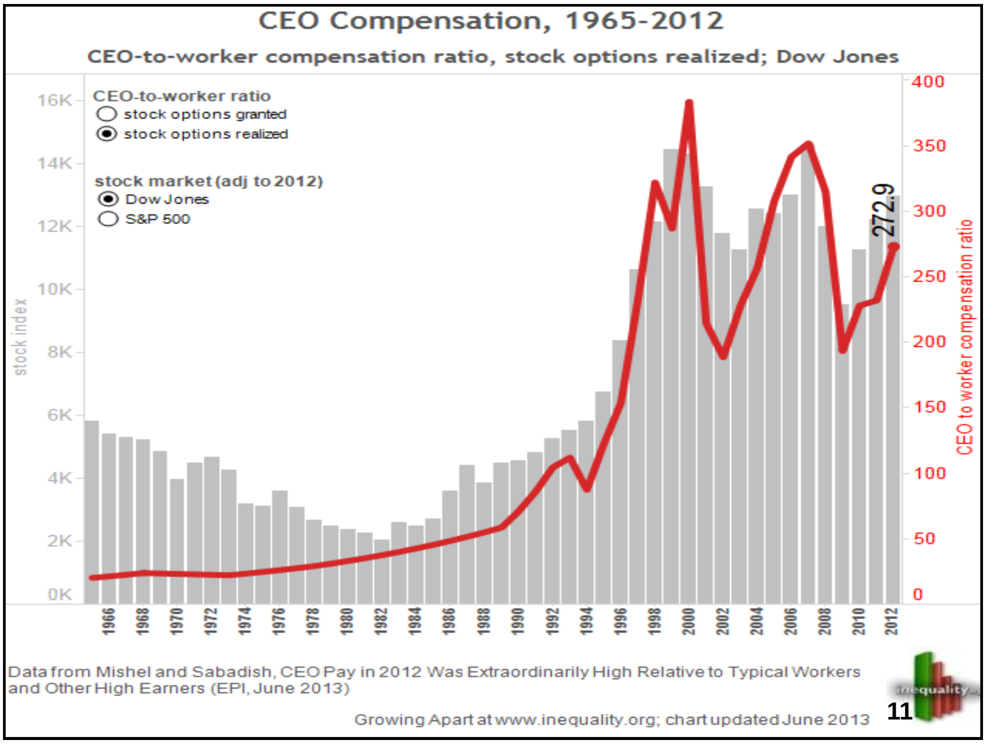
------------------------

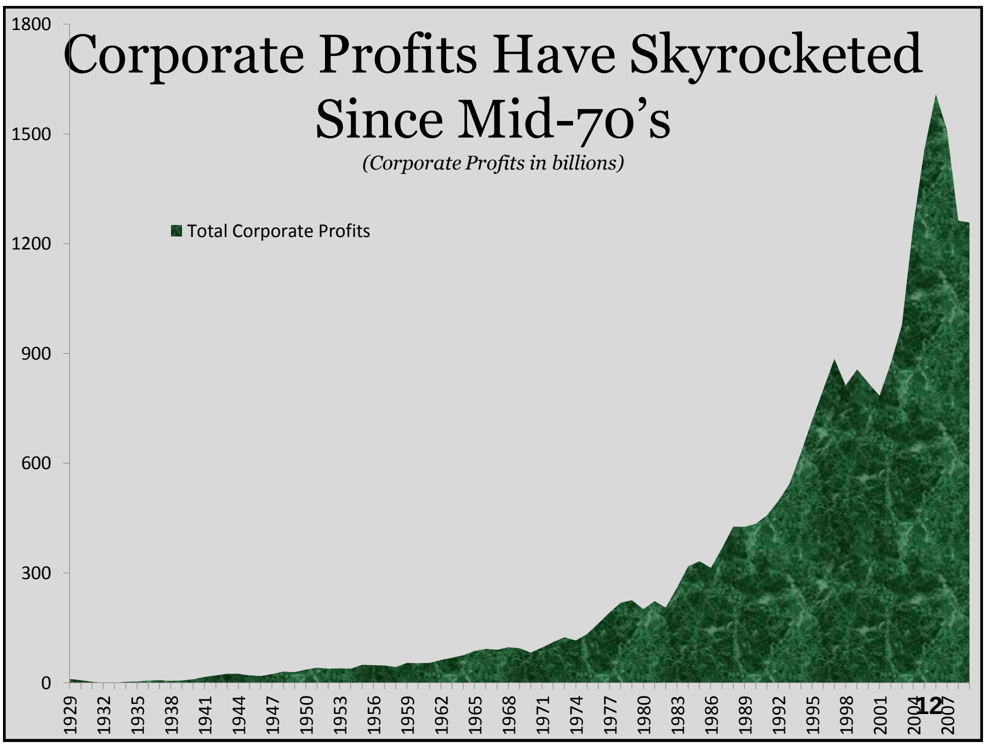
**$11 trillion** in Household debt
- Auto, Credit cards, student loans, mortgages, other revolving debt.

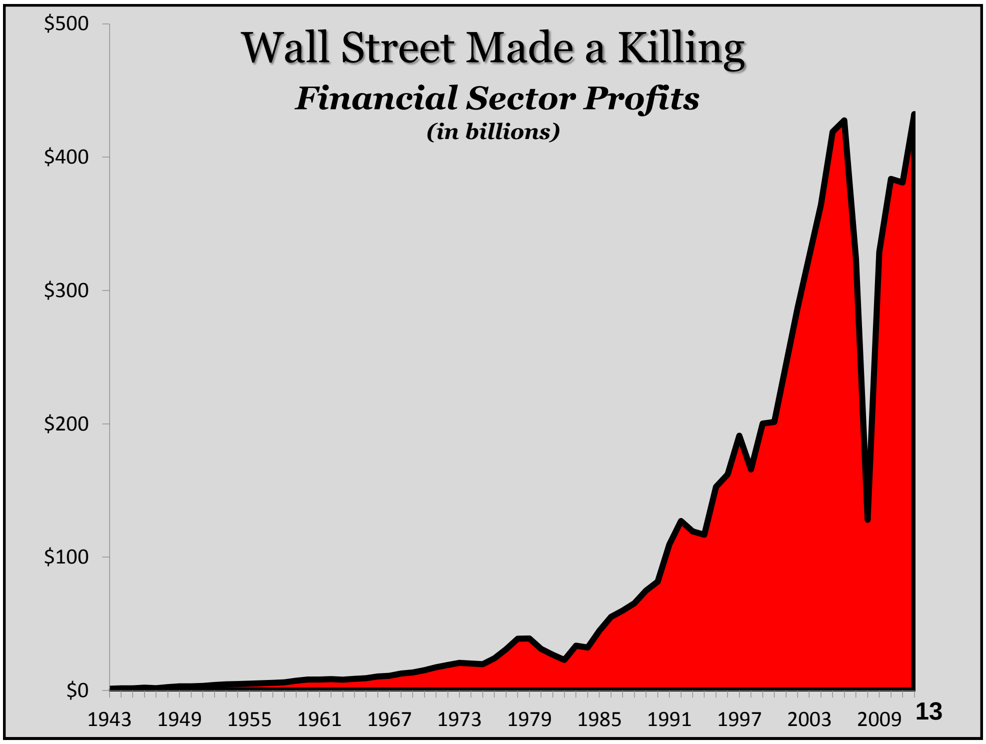
+

$4 trillion Municipal Bond Debt




CEO Compensation, 1965-2012
CEO-to-worker compensation ratio, stock options realized; Dow Jones
CEO-to-worker ratio
stock options granted
stock options realized
stock market (adj to 2012)
Dow Jones
S&P 500
stock index
CEO to worker compensation ratio
16K
14K
12K
10K
8K
6K
4K
2K
0K
400
350
300
250
200
150
100
50
0
272.9
1966
1968
1970
1972
1974
1976
1978
1980
1982
1984
1986
1988
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008
2010
2012
Data from Mishel and Sabadish, CEO Pay in 2012 Was Extraordinarily High Relative to Typical Workers and Other High Earners (EPI, June 2013)
Growing Apart at www.inequality.org; chart updated June 2013
11


Corporate Profits Have Skyrocketed Since Mid-70's
(Corporate Profits in billions)
Total Corporate Profits
1800
1500
1200
900
600
300
0
1929
1932
1935
1938
1941
1944
1947
1950
1953
1956
1959
1962
1965
1968
1971
1974
1977
1980
1983
1986
1989
1992
1995
1998
2001
2004
2007
12

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# Economic Reality Since the Mid 1970's

- **They Pay Less,**
- **We Borrow More,**
- **They Get Rich,**
- **We Get Poor!**

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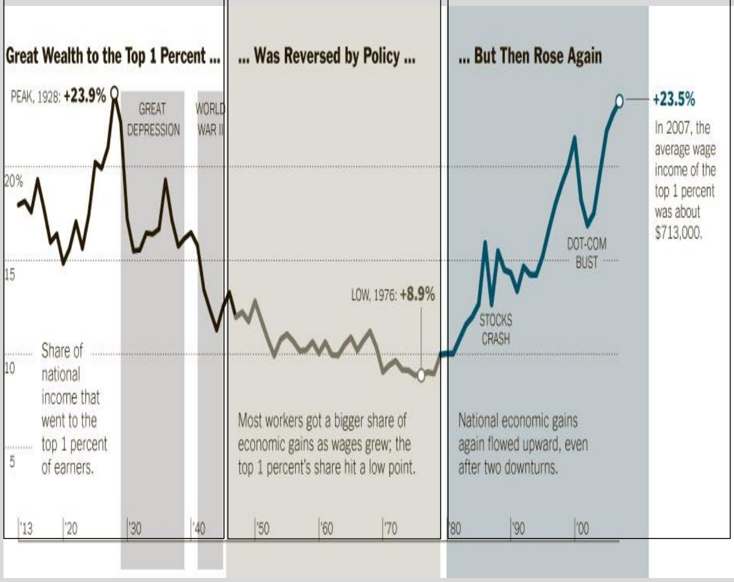
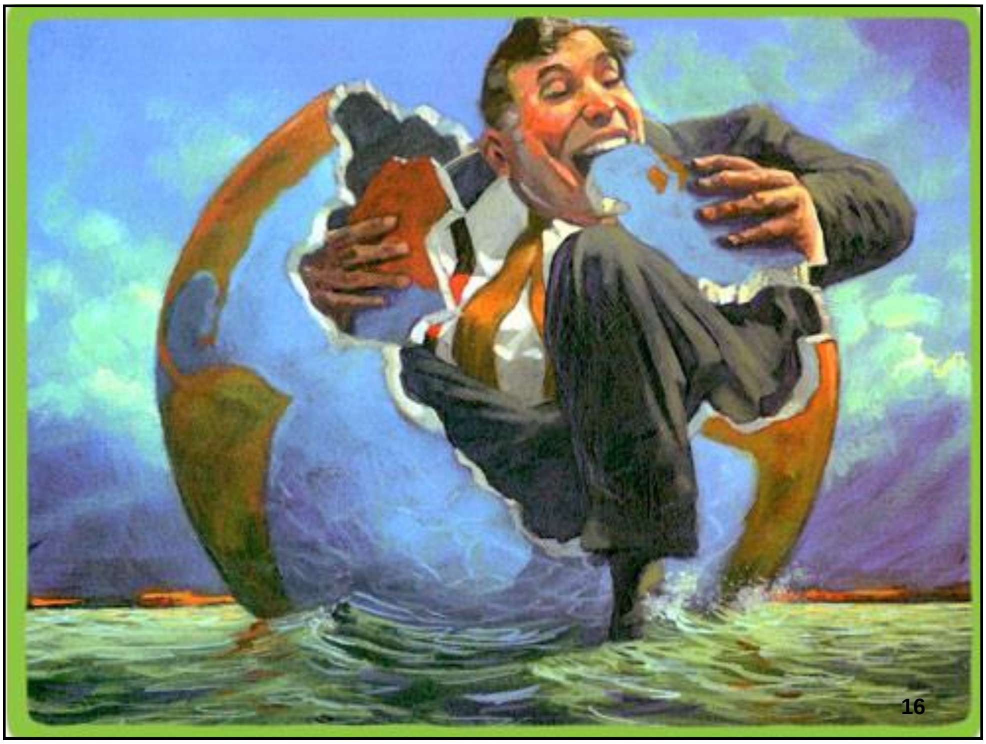
| Roaring '20s Unprecedented <u>Wealth Inequality</u> | Militant Organizing Led to New Deal | The Reagan Revolution "Big Government, Big Labor is the Problem" | The People vs The Banksters |
|---|---|---|---|




2014 →

?





# After Great Depression Bank Regulations Were Dramatically Strengthened…

Bankruptcy Acts of 1933 and 1934

Frazier-Lemke Farm Bankruptcy Act of 1934

Farm Mortgage Moratorium Act of 1935

Commodity Exchange Act of 1936

Chandler Act of 1938

Bank Holding Company Act of 1956
restrictions on interstate banking

State caps on credit card interest rates

S&L lending standards

Interest rate caps on S&L deposit accounts

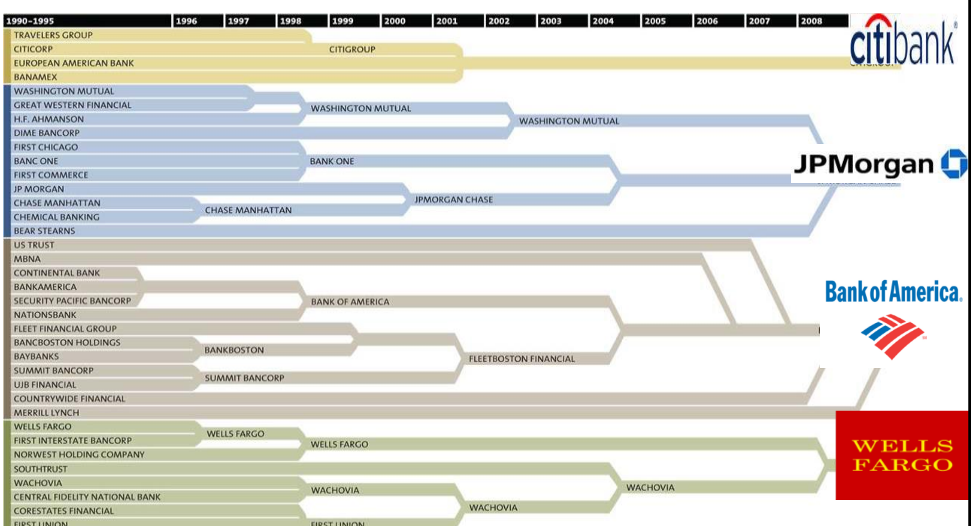
SEC's net capital ratio

Glass-Steagall Act of 1933



# Big Banks Re-Take Control

## Bank Consolidation 1990 - 2010




Sources: Federal Reserve; GAO

## ….And The Banks Got Those Laws Rolled Back…

Bankruptcy Acts of 1933 and 1934

Frazier-Lemke Farm Bankruptcy Act of 1934

Farm Mortgage Moratorium Act of 1935

Commodity Exchange Act of 1936

Chandler Act of 1938

Bank Holding Company Act of 1956
restrictions on interstate banking

State caps on credit card interest rates

S&L lending standards

Interest rate caps on S&L deposit accounts

SEC's net capital ratio

Glass-Steagall Act of 1933



## *But They've Still Been Breaking The Laws That Remain*

As Unit Pleads Guilty, R.B.S. Pays $612 Million Over Rate Rigging, 2/6/13

San Francisco Lawmaker Demands Inquiry in Bank Fraud Losses, 1/30/13

California Cities Sue Banks Over Libor Rates, Law Firm Says, 1/9/13

As Unit Pleads Guilty, UBS Pays $1.5 Billion Over Rate Rigging, 12/19/12

Libor arrests signal switch to individuals, 12/11/12

HSBC to Pay $1.92 Billion to Settle Charges of Money Laundering, 12/10/12

BofA, U.S. Bancorp Must Face Mortgage Trustee Lawsuit, 12/7/12

2 Banks to Settle Case for $417 Million, 11/16/12

Federal Prosecutors Sue Bank of America Over Mortgage Program, 10/24/12

A.C.L.U. Sues Morgan Stanley Over Mortgage Loans, 10/15/12

Annie Bell Adams, Foreclosure Victim, Sues Big Banks Over Libor Manipulation, 10/15/12

U.S. Sues Wells Fargo, Accusing It of Lying About Mortgages, 10/9/12

JPMorgan Unit Is Sued Over Mortgage Securities Pools, 10/1/12

Bank of America Reaches Settlement I Merrill Lynch Acquisition-Related Class Action Litigation, 9/28/12

Banks Face Suits as States Weigh Libor Losses, 9/4/12

Public Pension Funds Named to Lead 'London Whale' Lawsuit, 8/22/12

Bay Area toll agency accepts settlement, 8/22/13

## Detroit's Financial Crisis Began with the Foreclosure Crisis

Triggered by the collapse of ***subprime loans***:

- Interest rates 3% or more than conventional loans
- Variable interest rate that rests to a higher rate after a short period
- Up to 8 times more profitable than conventional loans
- Massive fraud and deception in underwriting these loans
- Racist targeting of African American and Latino communities by the banking industry



## Subprime Loans – Racist & Predatory

- In metro Detroit, in 2005-2007, 62% of African Amercans got subprime loans, compared to 28% for whites
- In Detroit, from 2004-2006, roughly 75% of loans to African Americans were subprime
- From 2005 to 2009, Detroit had more than 67,000 foreclosures (1 in 5 Detroit homes)
- Detroit, in 1996, had the lowest foreclosure rate of any major metroplolitan area in the US

# The Great Recession had a racist impact and it was not just Detroit

Wealth was lost across the board from the Great Recession, but significantly more so for people of color.


From 2005 to 2009, white median net worth fell 16% to $113,149.

But net worth fell by
66% for Latinos to $18,359,
and
53% for Blacks to $12,124.



*- Wasted Wealth: How the Wall Street Crash Continues to Stall Economic Recovery and Deepen Racial Inequity in America by the Home Defenders League, Alliance for a Just Society, and New Bottom Line*

**RATIO OF WHITE TO BLACK WEALTH**

1995. . . . . . . . . . . . 7-to-1
2004. . . . . . . . . . . . 11-to-1
2009 . . . . . . . . . . . 19-to-1

**RATIO OF WHITE TO LATINO WEALTH**

1995. . . . . . . . . . . . . 7-to-1
2004. . . . . . . . . . . . . 7-to-1
2009 . . . . . . . . . . . .15-to-1

*Source: Pew Research Center, 2011*

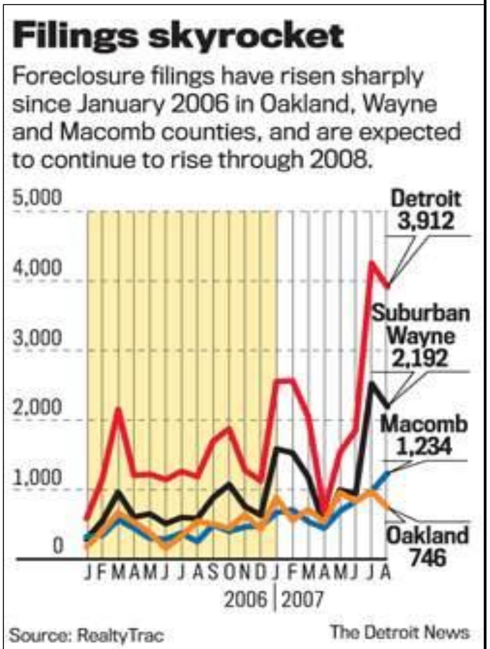
"Wells Fargo Mortgage had an emerging-markets unit that specifically targeted Black churches, because it figured church leaders had a lot of influence and could convince congregants to take out subprime loans."

BETH JACOBSON, FORMER WELLS FARGO LOAN OFFICER

*- Wasted Wealth: How the Wall Street Crash Continues to Stall Economic Recovery and Deepen Racial Inequity in America by the Home Defenders League, Alliance for a Just Society, and New Bottom Line*

## Banks Destroyed Detroit's Tax Base

- From 2000-2010, Detroit lost 237,500 people (New Orleans lost 140,000 after Katrina)
- From 2008 – 2011, the State Equalized Value (SEV) on Detroit real estate declined by 29%






## Banks Engaged in a Criminal Conspiracy

According to a report issued by the Senate Permanent Subcommittee on Investigations and chaired by Senator Carl Levin, the Wall Street banks engaged in essentially a criminal conspiracy.

**"Our investigation found a financial snake pit rife with greed, conflicts of interest, and wrongdoing."**

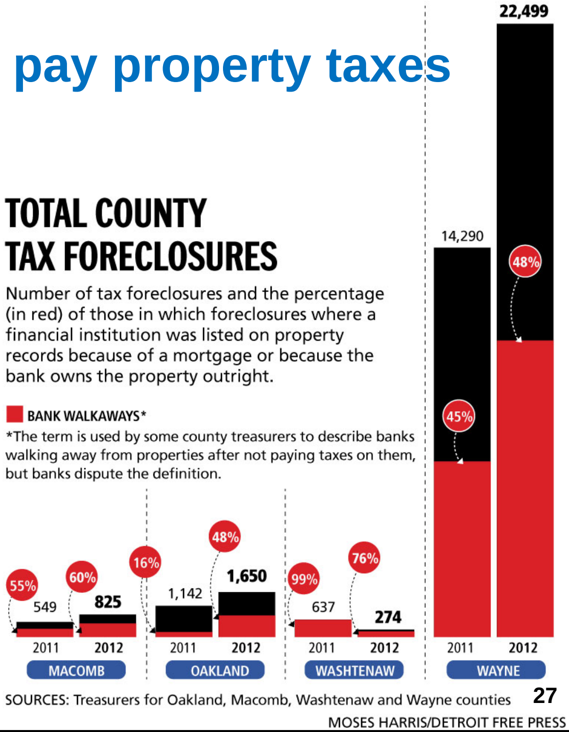
**The crisis created by Wall Street destroyed communities and triggered massive loss of jobs, erosion of the property tax base, the reduction in services provided by cities and states, and many other problems.**

### Conspirators included:

**Bank of America**
**JP Morgan Chase**
**Deutsche Bank**
**Wells Fargo**
**NY Mellon**
**Citi Bank**
**UBS**

## Banks refuse to pay property taxes

- In 2012, almost half of unpaid property taxes ($57 million) was owed by the banks.
- This does not include **"zombie foreclosures"**, where the bank evicts the homeowner, but fails to take control of the title.

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## FOIA Request and Lawsuit

On January 2, 2013, the Moratorium NOW! Coalition filed a Freedom of Information Act (FOIA) request.


Moratorium NOW! requested all contracts and agreements between the City of Detroit … and any banks or brokerage houses relating to all forms of debt for the past 10 years….

On February 2, 2013, Moratorium NOW! filed a lawsuit to compel the release of the documents. The City then provided almost 3000 pages of documents, but has yet to provide all of the documents requested.

Documents are available for public viewing at **DetroitDebtMoratorium.org**

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## What did we learn?

- The City has been put through a series of complex and convoluted financial transactions to the detriment of its residents.
- The financial instruments include bonds of various types, interest rate swaps, pension obligation certificates, default and termination agreements, hedging derivatives, and onerous penalties.
- In addition, the banks made huge profits in upfront fees and related charges.
- **The City has been victimized by the municipal equivalent of predatory mortgage loans.**

## Breakdown of City Debt

(June 30, 2012)

- The City had total bonded debt of **$6.4 billion** outstanding:
  - **$1.0 billion are general obligation bonds** backed by the full faith and credit of the City.
  - **$6.0 billion are revenue bonds**
- **$1.5 billion** for **pension obligation certificates (Certificates of Participation)**
- **$1.0 billion** for miscellaneous debt: Notes payable ($89.4 million), loans payable ($34.2 million), other postemployment benefits ($620.3 million), and other debt ($238.4 million)

**TOTAL City of Detroit: $9.4 billion***

* does not add up because of rounding error

## Banks & Ratings Agencies Role in Detroit

| Own or Rate City of Detroit Debt | Foreclose on Detroit Homes or Rate Mortgages |
|---|---|
| Bank of America Merrill Lynch | Bank of America |
| JP Morgan Chase | JP Morgan Chase |
| Deutsche Bank | Deutsche Bank |
| US Bank | US Bank |
| Bank One | Bank One |
| Citigroup | CitiMortgage |
| SBS Financial | |
| UBS Financial | UBS |
| Goldman Sachs | Goldman Sachs |
| Morgan Stanley | Morgan Stanley |
| Standard & Poor's | Standard & Poor's |
| Moody's | Moody's |
| Fitch | Fitch |



# Population and job loss

***Incredibly severe***

**Refer to the publication "The Detroit Bankruptcy"**

# The Detroit Bankruptcy

**By Wallace Turbeville, Demos, demos.org**

http://www.demos.org/publication/detroit-bankruptcy

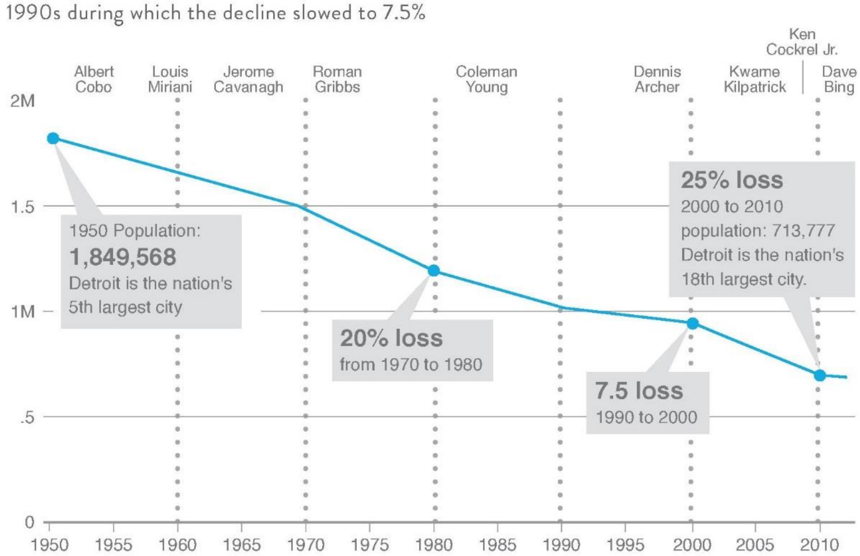
The City of Detroit's bankruptcy was driven by a severe decline in revenues (and, importantly, not an increase in obligations to fund pensions). Depopulation and long-term unemployment caused Detroit's property and income tax revenues to plummet.

The state of Michigan exacerbated the problems by slashing revenue it shared with the city. The city's overall expenses have declined over the last five years, although its financial expenses have increased. In addition, Wall Street sold risky financial instruments to the city, which now threaten the resolution of this crisis. To return Detroit to long-term fiscal health, the city must increase revenue and extract itself from the financial transactions that threaten to drain its budget even further.



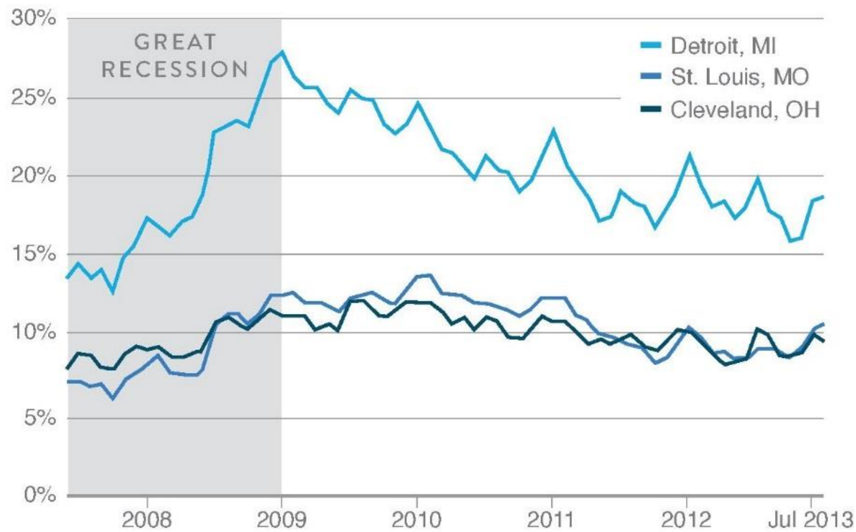
**Figure 3. City of Detroit Long-term Population Decline**

by 2010, Detroit's population was down 61% from its peak of 1.8 million residents in the 1950 census. Detroit has two decades with more than 20% decline, and one hopeful decade of the 1990s during which the decline slowed to 7.5%



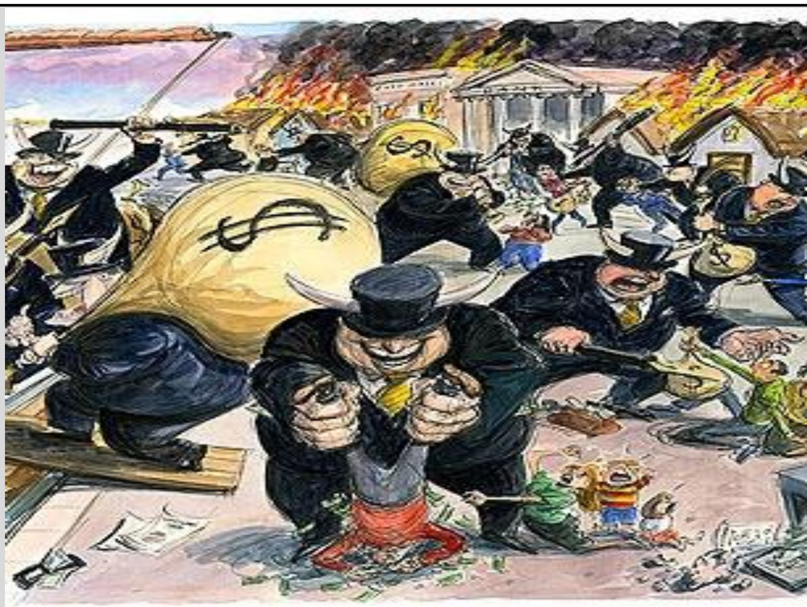

*Source: U.S. Census Bureau, Bomey, N., & Gallagher, J. (2013, September 15). How Detroit went broke: The answers may surprise you - and don't blame Coleman Young. Detroit Free Press. Retrieved September 30, 2013, from http://www.freep.com/interactive/article/20130915/NEWS01/130801004/Detroit-Bankruptcy-history-1950-debt-pension-revenue*

Figure 2. Non-Seasonally Adjusted Unemployment Rate 2008-2012[6]




*Source: U.S. Bureau of Labor Statistics. (2013). Unemployment rate - Not Seasonally Adjusted. Retrieved September 23, 2013, from https://www.google.com: http://tinyurl.com/q58wjjb.*





# Wall St Looting Main St

# Predatory Public Finance

**UNETHICAL PRACTICES**
- Interest rate arbitrage
- Exorbitant fees & interest rates
- Discriminatory pricing
- Prepayment penalties
- Accelerated payment clauses
- Misrepresentation of risk
- Churning (unnecessary refis)
- Requiring unnecessary add-ons
- Negotiated bond sales

**Illegal Practices**
- Bid-rigging
- Interest rate manipulation
- Securitization fraud

**Examples of predatory deals**
- Interest rate swaps
- Most credit enhancements
- Capital appreciation bonds
- Continuous refinancing bonds
- Pension obligation bonds



# Toxic Swaps - Banks Gouging Taxpayers For Hundreds of Billions of Dollars

## Interest Rate Swaps are crushing public entities everywhere

**Sampling of Interest Rate Swap Deals Across the Country**
***Deals Below to Cost Taxpayers More Than $1.25 Billion in 2010***

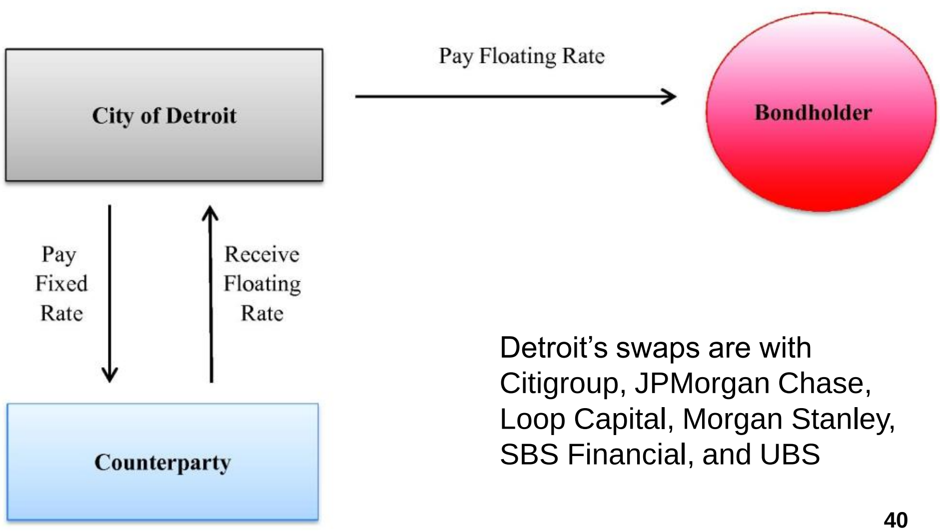
| State | Public Entity | Annual Swap Payments ($ million) | Termination Fee[†] ($ million) | Bank Counterparties | Local Budget Situation |
|---|---|---|---|---|---|
| CA | See California table below | 364.7 | 1,004.1 | BofA, Citi, Goldman, JPMChase, Others | See California table below |
| CO | City & County of Denver | 33.9[**] | 289.5 | Goldman, BofA, JPMChase, RBC, Others | Cut $200M from its budget in FY 2010 |
| CO | Denver Public Schools | 34.7 | 81.3 | JPMorgan Chase, Bank of America, RBC | Dealing with $120M deficit in FY 2010 |
| CO | City of Aurora | 2.6 | 9.6 | JPMorgan Chase, Morgan Stanley | N/A |
| CT | State of Connecticut[*] | 9.8 | 16.7 | Unknown | Dealt with a $515 M deficit in FY 2010 |
| IL | State of Illinois | 57.7[**] | 88.8 | Unknown | Dealt with a $13.2B deficit in FY 2010 |
| IL | City of Chicago | 66.9[**] | 442.2 | Unknown | Dealt with a $520M deficit in FY 2010 |
| IL | Chicago Public Schools | 35.7 | 164.2 | RBC, Loop Financial, BofA, Goldman, Other | Facing up to $1B deficit in FY 2011 |
| LA | City of New Orleans | 9.0 | 52.8 | UBS | Dealt with a $68 M deficit in FY 2010 |
| MA | State of Massachusetts[*] | 18.5 | 325.7 | Barclays, Morgan Stanley, Citigroup, BofA, BofNY, DeutscheBank, JPMorganChase, Goldman Sachs, Ambac | Dealt with a $3B deficit in FY 2010 |
| MD | City of Baltimore | 18.5[**] | 63.2 | Unknown | Facing a $121M deficit in FY 2011 |
| MI | City of Detroit | 107.1[**] | 303.8 | Unknown | Dealing with $300M deficit in FY 2010 |
| MO | City of Kansas City | 7.8 | 35.1 | Citigroup, UBS, Barclays | Dealt with $65M deficit in FY 2010 |
| NC | City of Charlotte | 22.7 | 45.0 | Unknown | Facing a $9M deficit in FY 2011 |
| NC | City of Winston-Salem[*] | 3.1 | 14.0 | Unknown | Cut $25M from its budget in FY 2010 |
| NJ | State of New Jersey | 118.4 | 535.6 | Unknown | Facing an $11B deficit in FY 2011 |
| NY | State of New York[*] | 102.0 | 534.0 | Unknown | Dealt with a $3.2B deficit in FY 2010 |
| NY | Metro Transportation Authority | 103.7[**] | 579.5 | Citi, JPMChase, UBS, Morgan Stanley, Others | Dealing with $783M deficit in FY 2010 |
| OR | State of Oregon | 13.5 | 34.5 | Bank of America, Morgan Stanley, JPMChase | Dealt with $4.2B deficit for 2010-11 |
| PA | City of Philadelphia | 94.4[**] | 332.0 | JPMC, Citi, RBC, Goldman, MorgStan, Others | Dealt with $2.4B deficit in FY 2010 |
| PA | Pennsylvania Turnpike | 26.4 | 145.5 | Goldman Sachs, Deutsche Bank | N/A |
| | **TOTAL** | **$1,251.1** | **$5,097.1** | | |

*Annual payments based on interest rates as of February 2010*



## Typical Swap Mechanism

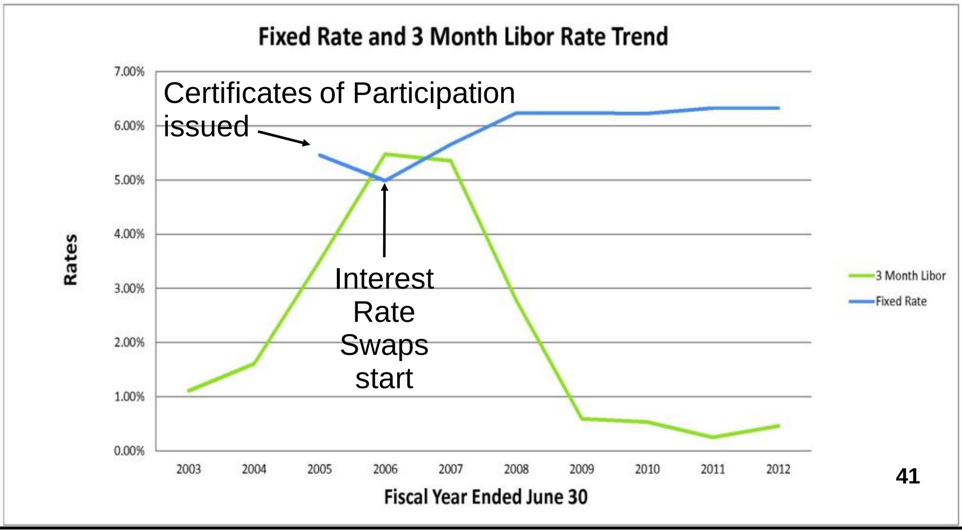
Figure 1. **SWAP Mechanism**




Detroit's swaps are with Citigroup, JPMorgan Chase, Loop Capital, Morgan Stanley, SBS Financial, and UBS

When the **blue line** is higher than the **green line**, Detroit loses money and banks make money (Pension swaps)

Figure 2. **Fixed Rate and 3 Month Libor Rate Trend as of June 30**






## Interest Rate Swaps and Other Derivatives are a Taxpayer-subsidized Windfall for the Banks

Federal Reserve pushed interest rates for Wall Street to near 0% to prop up the banks. Yet the Banks continue to charge Detroit 6% or more.

In addition to the TARP bailout, the Federal Reserve has an emergency program for the banks of at least $8 TRILLION.

The Federal Reserve has purchased around $1 TRILLION in mortgage-backed securities, and continues today to buy $35 billion per month. This amounts to a $35 billion per month transfer to Wall Street!

## City of Detroit Swaps

The City of Detroit was used Interest Rate Swaps to hedge loans in two areas:

- Detroit Water and Sewerage Department
- Pension obligations

The Interest Rate Swaps in the news lately are the swaps used to hedge the interest rates on the "Certificates of Participation"

- Certificates of Participation were used to cover pension obligations and ***may be illegal***
- The swaps also involve ***fraud*** on the part of the banks



## Swapping Detroit's Future

- Detroit Water & Sewerage Department paid **$547 million** in penalties in FY 2012 to terminate DWSD swaps with several banks, including BofA, Chase, Morgan Stanley, and Goldman.
- The city had to take out new bonds to pay these penalties, and paid an additional **$9 million** in fees to banks like Chase and Morgan Stanley.
- BofA and UBS are now demanding that the city pay an additional **$255 million** in penalties to terminate the remaining swaps (related to the retiree pensions).

## Effect of Swaps on DDOT

- In 2009, the swaps blew up when Detroit's credit rating was downgraded.
- Detroit renegotiates the swaps and is forced to make $4.2 million monthly payment to the bank before any money can go to essential city services

- Mayor Bing responded to the budget crisis with drastic cuts to public transit, eliminating bus routes, delaying equipment repairs, and laying off workers.
- Even after renegotiations, the swaps cost Detroit $54 million per year. Elimination of the swap payments would restore bus service.



## Toxic Swap Deals – The Tip of The Iceberg

# The LIBOR Fraud Scandal

(This is a video that may be accessed using the online version of this presentation.)



# Why Should We Care About LIBOR

- Cities, Counties, Pension Funds, School Districts, States, Transit Districts, Utility Districts, Universities …

  *… basically all taxpayer funded public entities*

  **<u>Have Huge Investments Linked to LIBOR</u>**

- ***As a result of big banks manipulating LIBOR nearly every public entity was illegally cheated out of revenue.***

## LIBOR Scandal Illegal Rate Manipulation

- 16 Banks Illegally manipulated LIBOR Rates to Enrich Themselves by Reducing What They Had To Pay Our Communities




## LIBOR Fraud Cost Detroit Millions

- The City of Detroit and its pension funds had billions of dollars invested instruments that ~~may~~ have been tied to LIBOR.
- Ten of the city's toxic swaps were also tied to LIBOR.
- The city may have lost as much as **$34 million** as a result of LIBOR fraud.

## ISDA Master Agreement defines Events of Default

- Events of Default
  - Failure to Pay or Deliver (3 days to remedy)
  - Breach of Agreement, except for failure to pay (30 days to remedy)
  - Credit Support Default (failure to comply with Credit Support Document)
  - **Misrepresentation**
  - Default under Specified Transaction
  - Cross default
  - Bankruptcy
  - Merger Without Assumption
  - **Governor determines a state of financial emergency**
  - **Appointment of an Emergency Manager**



## ISDA Master Agreement defines Termination Events

- Termination Events for Party B (Detroit)
  - Insufficient payment in any month where payment is required; failure to pay other fees & judgments
  - Failure to include and maintain a budget line item for payments to Party A (the banks)
  - Quarterly Coverage at the end of any month is less than 1.75
  - Sufficient drop in the Moody's or S&P ratings
  - If City takes any litigation, other judicial action, legislative action against these agreements
  - Reduction in the Wagering Tax not offset by other appropriations.
  - Bankruptcy

## Criminal Conduct of Banks & Rating Agencies

- The Banks engaged in fraudulent and illegal activities when they made predatory loans to Detroiters, often misrepresenting and lying about the loans that they underwrote.
- The ratings agencies, which are tools of the Banks, lied about the quality of mortgage-backed securities.
- Ratings agencies manipulate bond ratings, generating huge profits for the Banks
- The Banks engaged in a criminal conspiracy by manipulating the LIBOR rate.
- The Banks misrepresented (lied) the interest-rate swaps to Detroit and other public entities.



## Banks Engaged in a Criminal Conspiracy

According to a report issued by the Senate Permanent Subcommittee on Investigations and chaired by Senator Carl Levin, the Wall Street banks engaged in essentially a criminal conspiracy.

**"Our investigation found a financial snake pit rife with greed, conflicts of interest, and wrongdoing."**

**The crisis created by Wall Street destroyed communities and triggered massive loss of jobs, erosion of the property tax base, the reduction in services provided by cities and states, and many other problems.**

**Conspirators included:**

- **Bank of America**
- **JP Morgan Chase**
- **Deutsche Bank**
- **Wells Fargo**
- **NY Mellon**
- **Citi Bank**
- **UBS**

## What else did the Banks do?

- The City has been put through a series of complex and convoluted financial transactions to the detriment of its residents.
- The financial instruments include bonds of various types, interest rate swaps, pension obligation certificates, default and termination agreements, hedging derivatives, and onerous penalties.
- In addition, the banks made huge profits in upfront fees and related charges.
- **The City has been victimized by the municipal equivalent of predatory mortgage loans.**



## The Detroit bankruptcy was engineered by Governor Snyder and the Michigan State Legislature

- In 2012, the Michigan Legislature passed Public Act 4, enabling the appointment of an Emergency Manager to supplant the rule of locally elected officials.
- The Legislature severely cut revenue sharing funds, setting up cities and school districts for state takeover.
- In November of 2012, the voters repealed PA 4.
- In December of 2012, the Michigan State Legislature passed Public Act 436, nearly identical to PA 4, rejected by voters!!!

## So, we are faced with the irony that

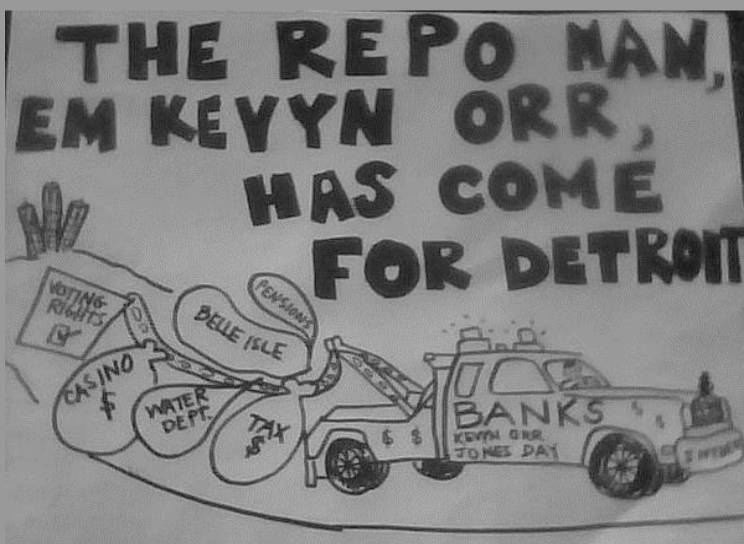
**50 Years** after the historic civil rights marches in Detroit and Washington, D.C., where hundreds of thousands of people demanded Jobs and Equality,

**49 years** after Freedom Summer and Fannie Lou Hamer's disruption of the Democratic National Convention,

**48 years** after the signing of the Voting Rights Act,

Detroit residents, and residents of many majority African American cities in Michigan lose their right to vote for their own elected leaders.






**Kevin Orr was appointed as Detroit's Emergency Manager on March 14, 2013, by Governor Rick Snyder.**

**The elected Mayor and City Council lost its decision making power.**

**We lose our right to elect our own leaders.**

## On July 18, 2013, Emergency Manager Kevin Orr files Chapter 9 bankruptcy fro the City of Detroit

- Emergency Manager Kevin Orr was a partner on the bankruptcy law firm, Jones Day.
- Jones Day represents Detroit in bankruptcy. Not one attorney representing Detroit resides in Detroit!
- In August 2011, Jones Day publishes a report outlined a way to attack pensions - ***Pensions and Chapter 9: Can Municipalities Use Bankruptcy to Solve Their Pension Woes?***
- Jones Day clients include Bank of America, JP Morgan Chase, and UBS, the very banks who retirees and Detroit citizens are challenging in bankruptcy.
- Former Councilwoman JoAnn Watson stated, **"The people of Detroit did not declare bankruptcy, Jones Day did."**



## ReFund Our Communities!

**MAKE**

**BANKS/CORPORATIONS**

**PAY!**

***EXPOSE PREDATORY PUBLIC DEBT - GO ON THE OFFENSE AND REBUILD OUR COMMUNITIES***

## Prosecute the Banks!

The banks have engaged in criminal conduct. They must be held accountable for the destruction of our neighborhoods and the City.

Public Act 436 provides for this:

141.1556 Criminal conduct contributing to receivership status. Sec. 16:

An emergency manager shall, on his or her own or upon the advice of the local inspector if a local inspector has been retained, make a determination as to whether possible criminal conduct contributed to the financial situation resulting in the local government's receivership status. If the emergency manager determines that there is reason to believe that criminal conduct has occurred, the manager shall refer the matter to the attorney general and the local prosecuting attorney for investigation.



## Demand a Cancellation of Debt Payments

The banks destroyed our neighborhoods and precipitated an economic crisis that caused massive unemployment and reduction in government services.

The banks and ratings agencies engaged in misrepresentation or fraud in the sale of the bonds and other debt instruments.

**Consequently, the municipal debt must be cancelled!**

## Demand Billions in Reparations or Restitution from the Banks

The Banks owe us tens of billions of dollars in damages due to their illegal activities.  Look around the great City of Detroit at the devastation that the Banks have caused.

The poor and working people of Detroit have been hit by Hurricane Wall Street. We demand restitution!



## Protesting the Detroit Bankruptcy Outside of U.S. Federal Bankruptcy Court in downtown Detroit

# Resources and Acknowledgements

Moratorium NOW! Coalition - moratorium-mi.org
Email: moratorium@moratorium-mi.org

DetroitDebtMoratorium.org
A Moratorium NOW! website

The Detroit Bankruptcy, by Wallace Turbeville
*www.demos.org/publication/detroit-bankruptcywww.demos.org/publication/detroit-bankruptcy*

Wasted Wealth - How the Wall Street Crash Continues to Stall Economic Recovery and Deepen Racial Inequity in America, by Alliance for a Just Society, *www.wastedwealthreport.com*

Jona Schaffer, SEIU researcher

Saqib Bhatti, Nathan Cummings Foundation