

**Illinois Banks and Corporations' Impact
on the State's Economic and Budget Crisis**

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The economic crisis has taken a deep toll on Illinois. Families have lost their life savings, income, quality of life, and in many cases, even their jobs and homes. Across the state, neighborhoods are reeling from devastating cuts to vital services like health care, education and public safety. Loss of public service affects all communities, but it especially impacts the most vulnerable—seniors, children, the disabled, low-income households and communities of color.

While Illinois was struggling to make ends meet, Wall Street paid out astronomical bonuses again this year. JPMorgan Chase and Bank of America—Illinois’s two largest banks—combined paid a staggering \$63 billion in bonuses, benefits and compensation this year, enough to cover the budget gaps of 39 states and the District of Columbia in FY 2012.¹ In fact, 38 cents out of every dollar these two banks took from our communities in 2010 went straight towards banker pay.² Illinois corporate profits jumped 49%, with the top five publicly traded corporations taking home \$19.7 billion in profits.³

Even as every Illinoisan is being asked to carry the yoke, the state’s largest banks and corporations continue to horde their wealth. Some banks are avoiding having to pay taxes, while others are gouging state and local governments with toxic swaps, taking fees out of Illinoisans' child support payments, destroying communities through foreclosures, shipping jobs out of Illinois, not lending to small businesses, and charging Illinoisans millions in fees. The big banks broke our economy and caused our budget crisis. They are the reason we have to choose between funding education and public services. It is time for the banks to start pulling their weight.

Not Paying Taxes

Bank of America 2009-2010 profits:⁴	\$4 billion
Bank of America 2009-2010 federal income taxes:⁵	\$0

Even though Illinoisans pay a third of their salaries in state and federal income taxes to help fund vital services, Bank of America did not owe any federal income taxes in 2009 or 2010, even though it raked in \$4 billion in profits. Instead, the bank paid out nearly \$64 billion in bonuses and compensation over the past two years, a fraction of which could have bridged Illinois’s \$4.9 billion budget gap for FY 2012.⁶

Breaking the Budget with Tax Loopholes

Profits of top 5 Illinois publicly traded corporations in 2010:	\$19.7 billion⁷
Growth in profits for large Illinois corporations in 2010:	49%⁸
Cost of bonus depreciation corporate tax break to Illinois budget:	\$600 million⁹
Spending cuts in 2012 budget passed by Illinois House:	\$600 million¹⁰

Large corporations in Illinois are raking in massive profits while the state struggles to make ends meet. Meanwhile, more tax cuts are scheduled to take effect in 2012 because a temporary

federal tax break this year allows companies to depreciate capital expenditures all at once instead of parceling them out over of time. Because Illinois' corporate income tax starts with the federal formula, this will add a state tax break of \$600 million to the federal tax break companies are already receiving unless the state acts now.

Meanwhile, the 2012 budget passed by the Illinois House of Representatives cuts hundreds of millions of dollars from schools and social services. These cuts come at a moment when people need the social safety net more than ever to weather the economic crisis caused by banks and other big corporations.

Gouging State and Local Governments with Toxic Swaps

State of Illinois's annual loss on toxic swap deals:	\$88 million
City of Chicago's annual loss on toxic swap deals:	\$74 million
Chicago Public Schools' annual loss on toxic swap deals:	\$35 million

Since the financial crash in September 2008 banks have brought in nearly \$400 million in profits through risky derivatives called "interest rate swaps" that have greatly increased Illinois taxpayers' cost of borrowing. These deals were supposed to save taxpayers money, but they backfired when the Federal Reserve-cut interest rates after the financial crash to help the banks. Now while taxpayers deal with devastating cuts, the banks are using these swaps to suck millions out of government coffers. Through 2012, these deals will have cost Illinoisans nearly \$800 million dollars.

State of Illinois. Illinois is facing the one of the worst revenue crises of any state in the country.¹¹ Foreclosures and unemployment have decimated the tax base in the state and legislators have to raise taxes and cut services to make ends meet.¹² But at the same time, Wall Street banks like JPMorgan Chase and Morgan Stanley are forcing taxpayers to pay \$88 million per year on these toxic swap deals.

City of Chicago. Even though Chicago is facing a budget deficit of more than \$600 million,¹³ the city is losing \$74 million a year on toxic swaps. \$25 million of that is going to just two banks—Bank of America and JPMorgan Chase.

Chicago Public Schools. CPS is threatening layoffs and closing schools to address its \$720 million revenue shortfall.¹⁴ Meanwhile, it's being forced to fork over \$35 million a year to banks like Bank of America and Goldman Sachs on toxic swap deals. The big banks need to stop holding our children's futures hostage.

Defrauding taxpayers? The U.S. Department of Justice and Attorneys General in three states are investigating potential illegal behavior by the banks in connection with these deals.¹⁵ JPMorgan Chase, which holds swaps with both the city and the state, has already agreed to pay more than \$700 million in fines to settle an SEC lawsuit alleging that the bank paid off officials in Jefferson County, AL in order to get government business.¹⁶ Bank of America recently

admitted criminal anti-trust behavior with respect to municipal derivatives and agreed to pay \$137 million in fines,¹⁷ and in a similar case, UBS agreed to pay \$160 million.¹⁸

Taking Illinoisans' Child Support Money

Fee for using an out-of-network ATM:	\$1.25
Fee for checking your balance at an ATM:	\$0.50
Fee for calling customer service more than 4 times per month:	\$0.35

The State of Illinois uses a Comerica debit card to distribute some child support payments. The bank takes advantage of single parents by skimming fees off of their accounts. If they use an out-of-network ATM to withdraw money, they have to pay \$1.25.¹⁹ If they check their balance at an ATM, they have to pay \$0.50.²⁰ If they make more than four calls a month to speak to a customer service representative, they have to pay \$0.35 each time.²¹ Instead of using the money to buy their children food or school supplies, parents are forced to hand it over to the bank instead. The bank is literally taking children's lunch money.

Destroying Communities through Foreclosures

Projected Foreclosures, 2009-2012:²²	384,490
Cost of Foreclosures to Illinois Taxpayers:²³	\$7.4 billion
Underwater Mortgages:²⁴	440,258 (20%)
Economic Impact of Resetting Principal, Interest to Market Value:²⁵	+\$2.8 billion

Big banks like Bank of America and JPMorgan Chase are destroying neighborhoods across the state with record foreclosures. More than 384,000 homes are expected to go into foreclosure in Illinois by the end of next year, putting families out on the street and depleting the local tax base. Abandoned homes are a public hazard and create a whole host of costs to local governments for maintenance and upkeep. A typical foreclosure can cost a local government more than \$19,000 for maintenance, upkeep, and lost tax revenues.²⁶ Illinois taxpayers are going to have to pay \$7.4 billion to clean up after the banks' 384,000 foreclosures.

Furthermore, foreclosures drag down property values of nearby homes and can cause entire neighborhoods to owe more on their mortgages than their homes are worth. One out of every five Illinois families is under water on its mortgage. Underwater homeowners are much more likely to default on their loans. Experts agree that the only real way to stem the tide of foreclosures and rebuild our communities is for banks to write down the principals on underwater mortgages. If banks like Bank of America and JPMorgan Chase reduced all underwater Illinoisans' principals and interest rates to market value, it would **pump \$2.8 billion into the local economy** every year, which would help create new jobs and replenish the state and local tax base.

Shipping Jobs Out of Illinois

Illinois's big banks have been shipping jobs out of state, laying off thousands of workers. When JPMorgan Chase acquired Chicago-based Bank One in 2004, it announced 12,000 job cuts in Chicago and elsewhere.²⁷ Then Bank of America announced it would cut 2,500 jobs in Chicago when it acquired LaSalle Bank in 2007.²⁸ Finally, after taking over Washington Mutual in 2008, JPMorgan Chase closed 57 WaMu branches in the Chicago area.²⁹ The big banks are abandoning Illinois's workers in pursuit of profits.

Not Lending to Small Businesses

Bank of America SBA 7(a) loan decline in IL, FY 2007-FY 2010:	97%
JPMorgan Chase SBA 7(a) loan decline in IL, FY 2007-FY 2010:	70%
Jobs lost in Illinois Jan 2008-Dec 2010:	371,300

Even though the big banks got \$14.6 trillion in taxpayer bailouts and backstops so that they could get the economy going again,³⁰ they are refusing to lend it out to Illinois's small businesses. Small business lending in Illinois has plummeted since the start of the financial crisis. Lending through the Small Business Administration's flagship 7(a) program was down 60% in FY 2010 from three years ago. But the declines at Bank of America and JPMorgan Chase were even more drastic. In fact, since the start of the bailout, Bank of America has only made 13 SBA 7(a) loans in Illinois, even though it has paid out a record \$63 billion in bonuses and compensation since then.

Meanwhile, Illinois has lost more than 371,000 jobs since the start of 2008. Small businesses "employ roughly one-half of all Americans and account for about 60 percent of gross job creation," according to Federal Reserve Chairman Ben Bernanke.³¹ In a National Small Business Association survey, 56% of small businesses that had problems finding available credit reported having to lay off employees as a result.³² The decline in small business lending has had a dramatic effect on unemployment in Illinois.

Charging Illinoisans Millions in Fees

JPMorgan Chase bank account fees in 2010:³³	\$349 million
Bank of America bank account fees in 2010:³⁴	\$231 million

JPMorgan Chase and Bank of America together squeezed Illinois customers for an estimated **\$580 million in fees** on their checking and savings accounts in 2010. That is money that Illinoisans could have spent stimulating the economy by buying groceries, fixing up their homes, or expanding their small businesses. But instead, this is money that the banks sucked out of our wallets so they could fatten up their own paychecks. 38 cents out of every dollar these banks took from Illinoisans in 2010 went straight towards bankers' bonuses and compensation. That means JPMorgan Chase and Bank of America took approximately \$221 million out of Illinoisans' bank accounts in 2010 and used it directly to fund big bonuses.

Recommendations

Illinois banks and corporations have an obligation to give back to the people of Illinois. The state's elected leaders should implement the following recommendations to ensure that banks and corporations do their part to fix the economic crisis they caused:

1. Pass HB 1810 to enact a \$500 fee on banks for foreclosing on homeowners. This would fund mediation programs that would allow homeowners to modify their loans, stabilize communities and put millions of dollars into our state budget.
2. Pass HB 1109 to allow communities to charge fines and fees on property that is abandoned because banks have initiated foreclosure but not taken legal possession. These fees can be used to keep up property, reduce crime, stabilize home values, return property taxes to local communities and boost the Illinois economy.
3. Decouple Illinois from the federal bonus depreciation tax break. The state of Illinois cannot afford to lose \$600 million in revenue in this time of crisis.
4. Hold hearings on toxic "Interest Rate Swaps" that gouge the state and our cities & towns. These rip offs cost the Illinois budget \$88 million per year and our cities and towns millions more.

About Make Wall Street Pay Illinois

Make Wall Street Pay Illinois is a new statewide initiative in Illinois that brings together individuals, communities, service providers, congregations and other organizations of all types and places, including Chicago and its suburbs, downstate cities, towns and rural areas, young and old, from all races, ethnicities and religions. MWSPI is calling on elected officials and other decision-makers to put people first! Partner organizations in Make Wall Street Pay Illinois include the Illinois Indiana Regional Organizing Network, Illinois People's Action, Lakeview Action Coalition, Northside P.O.W.E.R., and Southsiders Organized for Unity and Liberation.

Endnotes

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