

SHERROD BROWN
OHIO

COMMITTEES:
AGRICULTURE, NUTRITION,
AND FORESTRY

BANKING, HOUSING,
AND URBAN AFFAIRS

FINANCE

VETERANS' AFFAIRS

United States Senate

WASHINGTON, DC 20510 - 3505

May 7, 2018

Brian T. Moynihan
Chief Executive Officer
Bank of America
100 North Tryon Street
Charlotte, NC 28255

Dear Mr. Moynihan:

I write to express my concerns about the continued layoffs of American workers and outsourcing of U.S. jobs by the bank you manage. Though banks are among the biggest winners from the recent partisan tax bill and ongoing unraveling of financial protections, firms like yours continue to view workers as just another cost to be cut to further juice profits. Meanwhile, executives and shareholders are enjoying record compensation packages and stock buybacks. I, therefore, write to request that your bank produce a public plan to invest a far greater share of your company's resources in American jobs.

As noted in a recent report by the Communications Workers of America and the Committee for Better Banks,¹ banks have continued to slash jobs in America and also move and keep jobs overseas. Although changes to bank employee levels have not been uniform, overall, the nation's largest banks have cut at least 8,000 jobs over the second half of 2017, including many in the call center and customer service industry.² In many cases, these layoffs of American workers come as banks are outsourcing work to overseas facilities.

Bank of America has both laid off U.S. workers and outsourced jobs. According to your FR Y-9 C financial statements, Bank of America reduced the number of full-time employees by more than 35,000 between 2013 and 2017.³ Some of those layoffs occurred in the U.S. In 2013, your bank cut 1,100 jobs in Ohio when the bank closed a customer service mortgage center in Cleveland and two smaller centers in Independence and Cincinnati.⁴ The year before, your bank offshored its business support activities to the Philippines in 2012.⁵

¹ Communications Workers of America and Committee for Better Banks. "Tax Bill's Big Bank Beneficiaries Offshoring American Call Center Jobs." March 2018. Available at: <https://www.cwa-union.org/sites/default/files/20180306-cwa-cbb-bank-offshoring-report.pdf>

² Scheer, David. "Big U.S. Banks Slashed 8,000 More Jobs Before Tax-Cut Windfall." *Bloomberg*, January 18, 2018. Available at: <https://www.bloomberg.com/news/articles/2018-01-18/big-u-s-banks-slashed-8-000-more-jobs-before-tax-cut-windfall>

³ Data reported on form FR 9-Y C and filed with the Federal Reserve.

⁴ Perkins, Olivia. "Six Months After Bank of America Closes Beachwood Facility, Some Find Jobs, But Most Still Looking." *Cleveland.com*, March 10, 2014. Available at: http://www.cleveland.com/business/index.ssf/2014/03/six_months_after_bank_of_ameri.html

⁵ "Bank of America moves support services to PH," *ABS-CBN News*, May 12, 2012. Available at: <http://news.abs-cbn.com/business/05/12/12/bank-america-moves-support-services-ph>

These job cuts and offshoring come at a time when banks are making record profits⁶ and have just received a huge gift in the form of the partisan tax bill signed into law in December 2017.⁷ In fact, banks as a sector are among the biggest winners from the tax bill.⁸ Recent analysis examining the impact of the bill found that the six biggest banks, including yours, will save nearly \$14 billion in 2018 alone.⁹ According to Goldman Sachs Global Investment Research, the partisan tax bill will reduce Bank of America's effective tax rate by 10 percentage points and increase the bank's net income by \$3.5 billion and earnings per share by 16 percent in 2018 alone.¹⁰

Instead of investing in your U.S. workforce, your bank seems to be using this golden age of profitability to further boost its stock price. In mid-2017, you announced planned buybacks of up to \$12 billion through mid-2018.¹¹ Last year, you paid-out 92% of your earnings to shareholders.¹²

These payouts do little to help workers – either yours or others throughout the economy. Even when accounting for indirect ownership of stocks via 401(k) retirement plans or similar investment vehicles, only around half of American households own any shares of public companies.¹³ For those who do own shares, ownership is highly concentrated among the wealthiest households. The richest 10 percent of households in the U.S. controlled 84 percent of all stocks.¹⁴ One analysis estimates that only 6 percent of the corporate tax cut will go to workers, while 57 percent will go to shareholders.¹⁵

⁶ Egan, Matt. "Despite Record Profits, Banks Are Playing the Victim," *CNNMoney*, March 15, 2018. Available at: <http://money.cnn.com/2018/03/15/investing/bank-profits-senate-banking-bill/index.html>

⁷ See Tankersley, Jim. "Banks Are Big Winners from Tax Cut." *New York Times*, January 16, 2018. Available at: <https://www.nytimes.com/2018/01/16/us/politics/banks-are-big-winners-from-tax-cut.html>; and "Banks, Healthcare Service Firms Among Winners From U.S. Tax Bill." *Fox Business*, December 19, 2017. Available at: <https://www.foxbusiness.com/markets/banks-healthcare-service-firms-among-winners-from-u-s-tax-bill>

⁸ Id

⁹ Ramsden, Richard, James Yaro and Sal Saroni. "Corporate Tax Reform Impact on Large Banks Expected to be Positive." *Goldman Sachs Equity Research Report*, December 18, 2017. Goldman Sachs did not include itself in this analysis, but estimates indicate a savings of approximately \$1.06 billion next year based on 2016 revenue. See Baird, Addy. "How the White House and Wells Fargo Are Trying to Manipulate You, In One Chart." *ThinkProgress*, December 21, 2017. Available at: <https://thinkprogress.org/goldman-report-tax-plan-759ec84f8eee/>. This includes the impact of certain one-time charges accrued due to the tax bill, and also includes changes to the deductibility of Federal Deposit Insurance Corporation payments.

¹⁰ Ramsden, Richard, James Yaro and Sal Saroni. "Corporate Tax Reform Impact on Large Banks Expected to be Positive." *Goldman Sachs Equity Research Report*, December 18, 2017.

¹¹ "Bank of America Announces Increases to Quarterly Common Stock Dividend and Common Share Repurchase Program," June 28, 2017. Available at: <http://investor.bankofamerica.com/phoenix.zhtml?c=71595&p=irol-newsArticle&ID=2283807#fbid=blZFqybYxBS>

¹² Repurchases plus dividends divided by net income, as reported in 4Q17 earnings presentation.

¹³ Board of Governors of the Federal Reserve System. "Changes in U.S. Family Finances from 2013 to 2016: Evidence from the Survey of Consumer Finances." *Federal Reserve vol. 103, no. 3*, September 2017. Available at: <https://www.federalreserve.gov/publications/files/scf17.pdf>

¹⁴ Wolff, Edward N. "Household Wealth Trends in the United States, 1962 to 2016: Has Middle Class Wealth Recovered?" *National Bureau of Economic Research Working Paper 24085*, November 2017. Available at: <http://www.nber.org/papers/w24085.pdf>

¹⁵ JUST Capital, "The JUST Capital Rankings on Corporate Tax Reform." February 28, 2018. Available at: <https://justcapital.com/news/tax-reform-rankings/>

In addition to benefiting shareholders, using last year's compensation packages as an indicator, the proceeds from the tax cut will overwhelmingly go to big bank executives. You personally received a generous compensation boost in 2017, totaling 15 percent,¹⁶ and your recently released CEO to worker pay ratio was 250 to 1.

Your bank's recent announcements about its investments in its workers do not provide enough details to compare them to your payouts to shareholders and to your own compensation. Although your bank recently announced a one-time bonus for over 90 percent of its employees,¹⁷ there have been few details on the size of this bonus. Thus, it remains unclear whether the bonus approaches anything close to the \$12 billion in buybacks you announced last year.

Furthermore, your bank stands to gain an additional short-term boost from a rolling back of protections established after the financial crisis. The Administration is, at your bank's urging, in the midst of a widespread undoing of financial rules, which will boost your short-term profits substantially. According to a recent Congressional Research Service analysis, your bank could benefit from a \$36.1 billion windfall that lets it operate on more borrowed money.¹⁸ As noted in a research report from Morgan Stanley, "the financial industry [will] be the biggest beneficiary of Republican deregulation attempts."¹⁹ However, this will inevitably come at the long-term expense of workers, consumers and investors when the next crisis hits.

As the above-referenced report documents, when times are good, American workers don't fully share in the benefits of your companies' profitability. And when times are bad, it's even worse. Eventually, the unraveling of financial protections for which banks advocate will contribute to another downturn in the economy, and your workers will be the first to suffer the consequences with layoffs and cuts to their pay, healthcare and retirement benefits.

In light of this imbalance and unfairness, I ask that you provide the public with detailed plans on how your company will reinvest in American workers and their communities.

Sincerely,



Sherrod Brown
United States Senator

¹⁷ Bank of America Corporation: 2017 Annual Report. Available at: http://media.corporate-ir.net/media_files/IROL/71/71595/BOAML_AR2017.pdf

¹⁸ Memorandum from Marc Labonte et al., Congressional Research Service, to the Senate Committee on Banking, Housing, and Urban Affairs, "Potential Effects of Two Policy Changes on the SLR," Apr. 17, 2018. Available on Request.

¹⁹ Franck, Thomas. "While Big Banks Have Failed, Wall Street Sees Opportunity in Trump's Massive Deregulation Movement." *CNBC*, August 5, 2017. Available at: <https://www.cnbc.com/2017/08/04/wall-street-sees-opportunity-in-trumps-massive-deregulation-movement.html>