

THOMAS J. MILLER  
ATTORNEY GENERAL



ADDRESS REPLY TO:  
1305 E. Walnut Street  
Des Moines, IA 50319

ERIC TABOR  
CHIEF DEPUTY ATTORNEY GENERAL

*Iowa Department of Justice*

Telephone: 515/281-5191  
Fax: 515/281-4209  
Eric.Tabor@iowa.gov

January 15, 2014

Mr. Michael Marshall  
Secretary of the Senate  
State Capitol  
LOCAL

Ms. Carmine Boal  
Chief Clerk of the House  
State Capitol  
LOCAL

Dear Mr. Marshall and Ms. Boal:

Pursuant to section 7(4)(a) of HF 2465 (2012), the Office of Attorney General is submitting its report concerning expenditures made by the Office in 2013 from the Mortgage Servicing Settlement Fund for the implementation, monitoring, and enforcement of the Joint State-Federal Mortgage Servicing Settlement.

Sincerely,

A handwritten signature in black ink, appearing to read "Eric Tabor", is written over a horizontal line.

Eric Tabor  
Chief Deputy Attorney General

Enclosure

**Iowa Attorney General's Office  
Report to the General Assembly  
Mortgage Servicing Settlement Fund  
January 15, 2014**

**Introduction**

On February 9, 2012, Iowa Attorney General Tom Miller announced a \$25 billion nationwide Joint State-Federal Mortgage Servicing Settlement (“Settlement”) reached by 49 states, the District of Columbia, and the federal government with the nation’s five largest mortgage servicers (Bank of America, Citi, Chase, GMAC, and Wells Fargo). The Settlement was court approved in a Consent Decree (“Consent Decree”) signed by a federal district court judge on April 5, 2012. The Settlement was the result of a 16-month investigation of foreclosure fraud and abuses and settlement negotiations led by Attorney General Miller. The Settlement was intended to being implemented over a 3-year period.

**2012 Legislative Action**

1. **Mortgage Servicing Settlement Fund (“Fund”)**. In section 7(1) of HF 2465, the Legislature created a Fund comprised of the moneys to be received by the Attorney General in the Settlement. This is about \$16 million, representing the State Payment of about \$14.6 million and attorneys fees of \$1.4 million. Under section 7(1), the Attorney General is authorized by the Legislature to spend money in the Fund consistent with the terms of the Consent Decree. Under section 7(4)(a), the Attorney General is required to submit three **annual reports** to the General Assembly about how the money was expended to implement the Settlement.

In section 7(3) of HF 2465, the Legislature appropriated \$1 million from the Fund to the Rebuild Iowa Infrastructure Fund. In section 10 of SF 2316, the Legislature appropriated \$5 million from the Fund to the Department of Education for infrastructure needs of community colleges.

2. **Banking Division Mortgage Servicing Settlement Fund**. In section 7(2) of HF 2465, another fund is established comprised of the \$1 million payment received by the Banking Division. Moneys in this fund are appropriated to the Division to be used as provided in a financial plan developed by the Superintendent of Banking and approved by the Department of Management to support state financial regulation, including oversight of mortgage lending and mortgage servicing, real estate and real estate appraisal, state chartered banks, and other financial services regulated by the division of banking. Moneys in the fund may also be used to support financial literacy efforts.

3. **Relevant Statutory Provisions – See Attachment 1.**

## **Expenditures from the Mortgage Servicing Settlement Fund Calendar Year 2013**

Pursuant to section 7(4)(a) of HF 2465, the Office of Attorney General (“Office”) reports the following expenditures made by the Office in 2013 from the Mortgage Servicing Settlement Fund (“Fund”) for the implementation, monitoring, or enforcement of the Settlement. All expenditures were made consistent with the terms of the consent decree, relevant portions of which are contained in Attachment 2.

1. **Iowa Mortgage Help.** This initiative was established in 2008 as a collaborative effort of the Attorney General’s Office, Iowa Mediation Service (“IMS”), the Iowa Finance Authority (“IFA”), the Iowa Home Ownership Education Project (“IHOEP”) and Iowa Legal Aid. Iowa Mortgage Help has helped thousands of Iowans with foreclosure problems and is widely viewed as one of the most successful mortgage foreclosure prevention efforts in the country. Money from the Settlement is distributed to these entities to ensure that Iowa homeowners receive the full benefit of the Settlement.

- ***IMS and local housing counseling agencies.*** During the period, **\$834,908** was paid to IMS and local housing counseling agencies. With the exception of some costs paid to IMS, the local agencies and IMS were reimbursed through IFA on a case-by-case basis for (a) *Level I Counseling* which involves the gathering and evaluation of the homeowners’ documents and financial counseling and (b) *Level II Lender Mediation* which involves negotiations between the lenders and homeowners to attempt to resolve foreclosure issues.

During the period, about 1,800 clients went through *Level I Counseling*, with a portion of the payment to the counseling agencies made with Settlement funds. About 1,500 clients went through *Level 2 Counseling*, with a portion of the payment to the counseling agencies made with Settlement funds. About 50% of the outcomes were positive for the client (mortgage modification, forbearance, or sale of property before foreclosure). About 19% of the outcomes were neutral for the client (still in negotiation with lender or sent on for further counseling). About 32% of the outcomes were negative for the client (foreclosure, assistance denied by the lender, or withdrew from counseling).

- ***Iowa Legal Aid.*** During the period, **\$775,764** was paid through IFA to Iowa Legal Aid (“ILA”) on a case-by-case basis to provide *legal assistance* to homeowners facing mortgage foreclosure problems.

During the period, ILA closed about 1,400 client cases involving Settlement funds. About 4,000 household members benefited from ILA’s assistance in these cases. In about 840 of these cases, ILA’s assistance resulted in either preventing foreclosures and loss of the client’s home or significantly delaying any potential foreclosure sale of the home to allow time for negotiations on alternatives to foreclosure with the mortgage servicer. ILA estimates a total of \$5.5 million in financial benefit to clients based on ILA assistance during the period.

- **IFA.**

(a) *Outreach.* During the period, **\$763,644** was paid to IFA for outreach efforts to inform Iowans about the Settlement and the services of Iowa Mortgage Help.

(b) *Emergency Foreclosure Assistance Project.* This Project is intended to help Iowans who have short-term difficulties that have put their mortgage in jeopardy. During the period, **\$238,676** was paid to IFA for this Project and 120 clients were assisted. Clients added \$104,532 of their own money to aid in the restatement or modification of a mortgage. The breakdown for payment to lenders was 79% for principal and interest, 4% for escrow, 2% for late fees, and 15% for foreclosure related costs.

(c) *Administrative Costs.* During the period, **\$101,386** was paid to IFA for administrative costs.

2. **Attorney General Implementation of Settlement.** During the period, **\$450,710** was used by the Office to pay the salary and benefits of staff who worked on mortgage foreclosure issues, including an executive officer who works with IMS on mortgage issues and consumer protection attorneys and investigators who work on mortgage cases.

3. **Research and Analysis of Mortgage Foreclosure Issues.** During the period, **\$33,645** was paid to the University of Iowa Public Policy Center to develop and implement a program to make better *foreclosure data* available to Iowans on a county-by-county basis, and aggregated for the state as a whole.

4. **Center for State Enforcement of Antitrust and Consumer Laws (“State Center”).** During the period, **\$100,000** was paid to the State Center, a non-profit organization. Of this amount, **\$31,565** was to reimburse the State Center for money advanced to help negotiate the Settlement and the remainder is to help with future enforcement of the Settlement and other consumer protection issues.

## **Implementation of Settlement Homeowner Benefits Already Received by Iowans**

The Settlement has provided substantial benefits to Iowa homeowners. The direct relief to homeowners across the State has far exceeded initial projections:

1. **Direct Relief.** When the Settlement was announced, Iowa homeowners were expected to receive an estimated \$17.5 million in direct relief. In August, Attorney General Miller announced that direct benefits to Iowans had approached \$40 million. A breakdown of Iowa relief indicated the following, as of the latest reporting period on August 22, 2013:

- The five servicers provided \$39,580,069 in relief to 1,192 Iowa homeowners.

- An additional 169 borrowers were in trial modifications worth at least \$5.7 million.
- The average relief in Iowa was slightly over \$33,205 per borrower.
- 600 Iowa borrowers received more than \$17 million in principal reductions.
- 243 Iowa borrowers had obtained and completed mortgage refinances through the settlement. The average rate reduction was nearly 3.5%.

The direct relief was provided largely through an array of loan modifications, including principal reductions and refinancing. Other forms of relief include short sales and transitional assistance, forbearance of principal for unemployed borrowers, benefits for service members who are forced to sell their home at a loss as a result of a permanent change in station order, and other programs.

2. **Iowans Who Lost Their Homes.** More than 6,000 Iowa borrowers who submitted a valid foreclosure payment claim through the Settlement received a check for approximately \$1,480. The borrowers lost their home to foreclosure between January 1, 2008, and December 31, 2011, and their loan was serviced by one of the settling servicers.

The Settlement administrator notified 9,292 Iowa borrowers that they may be eligible for a payment. Borrowers associated with 6,051 loans replied and qualified, for a total of \$8,980,954 in payments to Iowa borrowers.

3. **Servicing Standards.** In addition to providing the borrower relief, the Settlement also required servicers to adopt more than 300 new servicing standards. The new standards are designed to address the issues that led to the Settlement, including the fraudulent robo-signing of foreclosure documents. The servicing standards are also expected to improve how servicers treat borrowers. For example, the standards require single points of contact, establish deadlines for responding to customers, and mortgage servicers can no longer foreclose on a borrower while simultaneously negotiating a loan modification, a practice known as “dual tracking.”

## **Projected Expenditures in 2014 and 2015**

Under section 7(3)(a) of HF 2465, the Office is directed to project expenditures to be made to implement, monitor, or enforce the Settlement in 2014 and 2015. Below are the estimates:

### **Calendar Year 2014**

#### **1. Iowa Mortgage Help.**

- IMS and Local Counseling Agencies - \$500,000
- Iowa Legal Aid - \$700,000

- IFA
  - (a) Outreach - \$20,000
  - (b) Emergency Foreclosure Assistance Project - \$200,000
  - (c) Administrative Costs - \$98,000
- 2. **Attorney General Implementation.** \$350,000
- 3. **Research and Analysis of Mortgage Foreclosure Issues.** \$40,000
- 4. **State Center.** \$100,000

**Calendar Year 2015 (through June 30, 2015)**

1. **Iowa Mortgage Help.**
  - IMS and Local Counseling Agencies - \$250,000
  - Iowa Legal Aid - \$350,000
  - IFA
    - (a) Outreach - \$10,000
    - (b) Emergency Foreclosure Assistance Project - \$50,000
    - (c) Administrative Costs - \$45,000
2. **Attorney General Implementation.** \$175,000

**ATTACHMENT 1 – RELEVANT STATUTORY PROVISIONS**

**HF 2465**

Sec. 7. JOINT STATE-FEDERAL MORTGAGE SERVICING SETTLEMENT MONEYS —  
APPROPRIATIONS.

1. A **mortgage servicing settlement fund** is established, separate and apart from all other public moneys or funds of the state, under the control of the department of justice. The department of justice shall deposit moneys received by the department from the joint state-federal mortgage servicing settlement into the fund. The department of justice is authorized to make expenditures of moneys in the fund consistent with the terms of the consent decree signed in federal court on April 5, 2012. Any unencumbered or unobligated moneys remaining in the fund on June 30, 2015, shall be transferred to the general fund of the state.
2. A **banking division mortgage servicing settlement fund** is established, separate and apart from all other public moneys or funds of the state, under the control of the division of banking of the department of commerce. The banking division shall deposit moneys received by the division from the joint state-federal mortgage servicing settlement into the fund. Moneys deposited in the fund are appropriated to the banking division to be used as provided in a financial plan developed by the superintendent of banking and approved by the department of management to support state financial regulation, including oversight of mortgage lending and mortgage servicing, real estate and real estate appraisal, state chartered banks, and other financial services regulated by the division of banking. Moneys in the fund may also be used to support financial literacy efforts. The financial plan may be updated periodically as provided by the superintendent and approved by the department of management. Notwithstanding section 8.33, moneys in the fund that remain unencumbered or unobligated at the close of a fiscal year shall not revert but shall remain available for expenditure for the purposes designated until the close of the fiscal year that begins July 1, 2014. Any unencumbered or unobligated moneys remaining in the fund on June 30, 2015, shall be transferred to the general fund of the state.
3. There is appropriated from the mortgage servicing settlement fund to the department of management for the fiscal year beginning July 1, 2012, and ending June 30, 2013, the following amount, or so much thereof as is necessary, to be used for the purposes designated:  
For deposit in the **rebuild Iowa infrastructure fund**:..... **\$ 1,000,000**
4. a. The **department of justice shall submit a report** to the general assembly detailing the expenditure of moneys from the mortgage servicing settlement fund by the department of justice for the previous calendar year and how the expenditures related to the implementation, monitoring, or enforcement of the settlement and how expenditures in the current and succeeding calendar year will be used for implementation, monitoring, or enforcement of the settlement. The initial report shall be submitted on or before January 15, 2013.  
b. The **division of banking shall submit a report** to the general assembly detailing the expenditure of moneys from the banking division mortgage servicing settlement fund by the division of banking for the previous calendar year and how the expenditures related to the implementation, monitoring, or enforcement of the settlement and how expenditures in the current and succeeding calendar year will be used for implementation, monitoring, or enforcement of the settlement. The initial report shall be submitted on or before January 15, 2013.

**SF 2316**

MORTGAGE SERVICING SETTLEMENT FUND — APPROPRIATION — DEPARTMENT OF  
EDUCATION

Sec. 10. MORTGAGE SERVICING SETTLEMENT FUND. There is appropriated from the mortgage servicing settlement fund to the department of education for the fiscal year beginning July 1, 2012, and ending June 30, 2013, the following amount, or so much thereof as is necessary, to be used for the purpose designated:

For major renovation and major repair needs, including health, life, and fire safety needs and for compliance with the federal Americans with Disabilities Act, and for routine maintenance and building operations, for buildings and facilities under the purview of the **community colleges. ....\$ 5,000,000**



## ATTACHMENT 2 – RELEVANT PORTIONS OF CONSENT DECREE

### Iowa- State Payment

The Escrow Agent shall distribute the funds according to written direction received from the Attorney General of Iowa. The payment shall be used, *at the sole discretion of the Attorney General of Iowa*, for any use permitted by law or this Consent Judgment, including but not limited to:

1. Purposes intended to avoid preventable foreclosures, to ameliorate the effects of the foreclosure crisis, to enhance law enforcement efforts to prevent and prosecute financial fraud and unfair or deceptive acts or practices, and to compensate the State of Iowa for costs resulting from the alleged unlawful conduct of the Defendant. Such permissible purposes for allocation of the funds further include, but are not limited to, supplementing the amounts paid to homeowners under the Borrower Payment Fund, funding for housing counselors, state and local foreclosure assistance hotlines, state and local foreclosure mediation programs, legal assistance, housing remediation and anti-blight projects, funding for training and staffing of financial fraud or consumer protection enforcement efforts, and civil penalties.
2. Investigative and administrative costs in connection with the matters addressed herein, including costs incurred before and after the signing of this Consent Judgment.
3. Public education relating to consumer fraud, mortgage, housing and financial issues and for enforcement of Iowa Code section 714.16, as referenced in Iowa Code section 714.16A.
4. Any other lawful purpose.

### Attorneys Fees

c. In accordance with written instructions from the State members of the Monitoring Committee, the Escrow Agent shall distribute a total of \$10,000,000.00 to the members of the Executive Committee and the Ameriquest Financial Services Fund (“AMFSF”) **for reimbursement of costs and attorneys fees** incurred during the investigation of this case and the settlement negotiations and for subsequent expenditures as authorized by each Attorney General. Such payments shall be made as designated by the Iowa Attorney General as the Chairman of the Executive Committee, and shall be made to the State Attorneys General of Arizona, California, Colorado, Connecticut, Delaware, Florida, Illinois, Iowa, Massachusetts, North Carolina, Ohio, Tennessee, Texas, and Washington and the Maryland Department of Labor, Licensing and Regulation and the Ameriquest Financial Services Fund. The authorized representatives of each state attorney general, the Maryland Department of Labor, Licensing and Regulation and the AMFSF will provide a letter to the Escrow Agent directing how each separate payment should be made.

### Banking Division

d. In accordance with written instructions from the State members of the Monitoring Committee, the Escrow Agent shall distribute \$65,000,000.00 to the Conference of State Bank Supervisors (CSBS). CSBS shall use \$15,000,000 to establish the “State Financial Regulation Fund,” a fund to be managed and used by CSBS to support and improve state financial regulation and supervision. From the balance, CSBS shall transfer **\$1,000,000 per state to the state financial regulators who have signed this Consent Judgment**. Where multiple agencies within a single state claim regulatory jurisdiction, CSBS shall transfer that state’s funds as provided in an agreement between or among those regulatory agencies. In addition, state financial regulators may, at their discretion, enter into an agreement with CSBS for the management and disbursement of all or a portion of the funds paid to them. If, for any reason, a state financial regulator elects to forego receipt of their transfer payment or in the case of a participating state where the state financial regulator declines to sign this Consent Judgment, such funds shall revert to the State Financial Regulation Fund.