

# **EXHIBIT B**

## DISTRIBUTION OF FUNDS

1. Any amount of the Direct Payment Settlement Amount that is not distributed pursuant to Paragraph 2 shall be distributed as follows.
  - a. *Federal Payment Settlement Amount.* The Escrow Agent shall distribute \$911,777,917.00 (the “Federal Payment Settlement Amount”) to the United States in accordance with instructions to be provided by the United States.
    - i. Of the Federal Payment Settlement Amount, \$684,090,417.00 shall, following payment of any amounts owed as a result of resolutions pursuant to 31 U.S.C. § 3730(d), and subject to 28 U.S.C. § 527 (Note), be deposited for losses incurred into FHA’s Capital Reserve Account, the Veterans Housing Benefit Program Fund (pursuant to 38 U.S.C. § 3722(c)(3), as being incident to housing loan operations) or as otherwise directed by the Department of Veterans Affairs, and as directed by Rural Housing Service, Department of Agriculture, in accordance with instructions from the United States. The United States intends that such deposits conform with the Miscellaneous Receipts Act and other law.
    - ii. The Federal Payment Settlement Amount includes resolution of the following qui tam actions: (i) \$75,000,000 from the claims in United States ex rel. Lagow v. Countrywide Financial Corp., et al., Civil Action No. CV-09-2040 (E.D.N.Y.); (ii) \$45,000,000 from those claims in United States ex rel. Bibby et al. v. JPMorgan Chase et al., No. 2:11-cv-00535-RHL-RJJ (N.D. Ga.) that are expressly released by the United States in this litigation; (iii) \$95,000,000 from those claims in United States ex rel. Szymoniak v.

[SEALED], Civ No. 0:10-cv-01465 (D.S.C.) and in United States ex rel. Szymoniak v. [SEALED], Civ No. 3:10-cv-575 (W.D.N.C.) that are expressly released by the United States in this litigation; (iv) \$6,500,000 from the claims in United States ex rel. Mackler v. Bank of America, N.A., et al., 11-CV-3270 (SLT) (E.D.N.Y.); and (v) \$6,187,500 from the claims in United States ex rel. Harris v. J.P. Morgan Chase & Co., et al., Civil Action No. 10-10068-GAO (D. Mass). Following payment of any amounts owed as a result of resolutions pursuant to 31 U.S.C. § 3730(d), and subject to 28 U.S.C. § 527 (Note), these amounts shall be deposited into FHA's Capital Reserve Account and the Veterans Housing Benefit Program Fund (pursuant to 38 U.S.C. § 3722(c)(3), as being incident to housing loan operations) or as otherwise directed by the Department of Veterans Affairs, in accordance with instructions from the United States. The United States intends that such deposits conform with the Miscellaneous Receipts Act and other law.

- b. *State Payment Settlement Amounts.* In accordance with written instructions from each State Attorney General, the Escrow Agent shall distribute cash payments in the total amounts set forth in the attached Exhibit B-1.
  - i. Each State Attorney General shall designate the uses of the funds set forth in the attached Exhibit B-1. To the extent practicable, such funds shall be used for 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, or unfair or deceptive acts or practices and to compensate the States for costs resulting from the alleged unlawful conduct of the Defendants. Such permissible purposes for allocation of the funds include, but are not limited to, supplementing the amounts paid to state 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. Accordingly, each Attorney General has set forth general instructions for the funds in the attached Exhibit B-2.

- ii. No more than ten percent of the aggregate amount paid to the State Parties under this paragraph 1(b) may be designated as a civil penalty, fine, or similar payment. The remainder of the payments is intended to remediate the harms to the States and their communities resulting from the alleged unlawful conduct of the Defendant and to facilitate the implementation of the Borrower Payment Fund and consumer relief.

2. Of the Direct Payment Settlement Amount, \$1,579,813,925.00 shall be distributed as follows:

- a. In accordance with written instructions from the State members of the Monitoring Committee, the Escrow Agent shall make available \$1,489,813,925.00 to the Administrator to provide cash payments to borrowers whose homes were finally sold or taken in foreclosure between and including January 1, 2008 and December 31, 2011; who submit claims arising from the Covered Conduct; and who otherwise meet criteria set forth by the State members of the Monitoring Committee. Any amounts made available hereunder remain a part of the Qualified Settlement Fund until distributed to borrowers and shall be administered in accordance with the terms set forth in Exhibit C.
- b. In accordance with written instructions from the State members of the Monitoring Committee, the Escrow Agent shall distribute \$15,000,000.00 to the National Association of Attorneys General (NAAG) to create and administer the “Financial Services and Consumer Protection Enforcement, Education and Training Fund.” Such Fund shall be used to pay for expenses and training relating to the investigation and prosecution of cases involving fraud, unfair and deceptive acts and practices, and other illegal conduct related to financial services or state consumer protection laws. Illustrative examples include, but are not limited to, travel costs associated with investigation, litigation, or settlement of financial services or consumer protection cases; expert witness and consulting fees, training programs, NAAG Consumer Protection Conferences, information

exchanges, public education campaigns, and other uses. The State members of the Monitoring Committee shall develop rules and regulations governing the Financial Services and Consumer Protection Enforcement, Education and Training Fund in a separate memorandum of understanding after this Consent Judgment has been entered.

- 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 Amerquest 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 Amerquest 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.

- 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.
3. Any interest earned on funds held by the Escrow Agent may be used, at the discretion of the State members of the Monitoring Committee, to pay the costs and expenses of the escrow or the costs and expenses of administration, including taxes, or for any other housing related purpose.

4. Notwithstanding any implication to the contrary in any of the provisions of Exhibit B-2, all instructions therein shall be subject to the provisions of paragraph 1.b(i) and 1.b(ii) of this Exhibit B. If and to the extent any amounts are paid into a fund or escrow account established by a State Party that is not an integral part of the government of such State, it is intended that such fund or account be deemed a Qualified Settlement Fund within the meaning of Treasury Regulation Section 1.468B-1 of the U.S. Internal Revenue Code of 1986, as amended. To the extent that any state designates any payments hereunder as a civil penalty, such state shall provide the Defendant(s), upon request, such information as is reasonably necessary for tax reporting purposes with respect to such civil penalty.



# EXHIBIT B1

**EXHIBIT B1**

<b>STATE</b>	<b>DOLLAR ALLOCATION</b>
AK	\$3,286,839
AL	\$25,305,692
AR	\$12,830,241
AZ	\$97,784,204
CA	\$410,576,996
CO	\$50,170,188
CT	\$26,102,142
DC	\$4,433,081
DE	\$7,913,923
FL	\$334,073,974
GA	\$99,365,105
HI	\$7,911,883
IA	\$14,651,922
ID	\$13,305,209
IL	\$105,806,405
IN	\$43,803,419
KS	\$13,778,401
KY	\$19,198,220
LA	\$21,741,560
MA	\$44,450,668
MD	\$59,697,470
ME	\$6,907,023
MI	\$97,209,465
MN	\$41,536,169
MO	\$39,583,212

<b>STATE</b>	<b>DOLLAR ALLOCATION</b>
MS	\$13,580,374
MT	\$4,858,276
NC	\$60,852,159
ND	\$1,947,666
NE	\$8,422,528
NH	\$9,575,447
NJ	\$72,110,727
NM	\$11,174,579
NV	\$57,368,430
NY	\$107,642,490
OH	\$92,783,033
OR	\$29,253,190
PA	\$66,527,978
RI	\$8,500,755
SC	\$31,344,349
SD	\$2,886,824
TN	\$41,207,810
TX	\$134,628,489
UT	\$21,951,641
VA	\$66,525,233
VT	\$2,552,240
WA	\$54,242,749
WI	\$30,191,806
WV	\$5,748,915
WY	\$2,614,515

# EXHIBIT B2

## **EXHIBIT B2**

### **ALABAMA**

The Court awards the State of Alabama a judgment in the amount of \$25,305,692, which shall be paid by electronic transfer to the Office of the Attorney General. Of this amount, the Court awards \$2,530,569 dollars in civil penalties (or 10% of the total) as defined by and in accordance with Code of Alabama, 1975, §8-19-11 for misconduct relating to the banks' robo-signing in violation of Alabama's Deceptive Trade Practices Act. The remaining amount shall be used by the Attorney General, at his sole discretion, for costs of investigation and litigation, for law enforcement efforts to prevent and prosecute financial fraud, and/or for public protection purposes, such as to defray the operating cost of any function of the Attorney General's Office that protects citizens, whether through investigation, representation, regulation, mediation, prosecution, victims' assistance, or consumer education concerning consumer-related financial or other crimes, or, at the sole discretion of the Attorney General, to be used for housing programs, housing counseling, legal assistance, foreclosure prevention hotlines, foreclosure mediation and investigation of financial fraud or other wrongdoing overseen by any division of the Attorney General's Office.

In addition, the Attorney General may distribute any amount from the funds, at his sole discretion, to other governmental entities or charitable organizations whose eleemosynary purposes benefit those affected by the aforementioned misconduct

### **ALASKA**

Alaska's payment of \$3,286,839.00 shall be to the State of Alaska and delivered to the Office of the Attorney General, 1031 West 4th Avenue, Suite 200, Anchorage, Alaska 99501.

### **ARIZONA**

1. State Payment Settlement Amounts, Consent Judgment Ex. B, Paragraph 1(b)(i) Arizona's share of the State Payment Settlement Amounts ("Funds") provided under this Consent Judgment, and any interest thereon, shall be made payable to the Office of the Arizona Attorney General. The Attorney General shall direct the use of the Funds in Arizona. The Funds shall be used for 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, or unfair or deceptive acts or practices and to compensate the State for costs resulting from the alleged unlawful conduct of the Defendants. Such permissible purposes for allocation of the funds include, but are not limited to, supplementing the amounts paid to state 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.

The Attorney General shall deposit the Funds with the State Treasurer and the Funds shall be held in a separate Court Ordered Trust Fund account and all interest thereon deposited into that account and used only for the purposes set forth herein.

2. Executive Committee Payment, Consent Judgment Ex. B, Paragraph 2(c)  
Any funds paid to the Office of the Arizona Attorney General as reimbursement for attorneys fees and costs for serving on the Executive Committee, and any interest thereon, shall be deposited into the consumer fraud revolving fund pursuant to A.R.S. § 44-1531.01 and used for the purposes set forth therein.

### ARKANSAS

For the payment to the State of Arkansas as provided in Paragraph III (3) of the Consent Judgment, and it accordance with the provisions of Paragraph 1. (b) of Exhibit B to the Consent Judgment, Attorney General Dustin McDaniel directs that the total anticipated sum of Twelve Million, Eight Hundred Thirty Thousand, two hundred and forty-one dollars (\$12,830,241) be paid to the State of Arkansas Office of the Attorney General (and delivered to Carol Thompson, Chief Financial Officer) to then be distributed by the Attorney General to the following entities for the following purposes:

1. To the Arkansas Development Finance Authority to fund programs that provide to Arkansas residents down payment assistance, financial literacy and mortgage and foreclosure counseling ,tax credit assistance, rental assistance, low-interest financing, land acquisition, new construction, rehabilitation construction, and reconstruction, the sum of Nine Million dollars (\$9,000,000.00);
2. To the Arkansas Access to Justice Commission to provide equal access to justice to Arkansas residents affected by the mortgage and foreclosure crisis, the sum of Two Million dollars (\$2,000,000.00);
3. To the University of Arkansas School of Law to support its legal aid clinic, which provides legal representation to low-income Arkansans, the sum of Five Hundred Thousand dollars (\$500,000.00);
4. To the University of Arkansas at Little Rock School of Law to support its legal aid clinic, which provides legal representation to low-income Arkansans, the sum of Five Hundred Thousand dollars (\$500,000.00);

And, to the Arkansas Treasury the remaining funds for fees, costs, and the costs of investigation and pursuit of this matter, the sum of Eight Hundred Thirty Thousand, two hundred and forty-one dollars (\$830,241.00).

## CALIFORNIA

The payment to the California Attorney General's Office shall be used as follows:

- a) Ten percent of the payment shall be paid as a civil penalty and deposited in the Unfair Competition Law Fund;
- b) The remainder shall be paid and deposited into a Special Deposit Fund created for the following purposes: for the administration of the terms of this Consent Judgment; monitoring compliance with the terms of this Consent Judgment and enforcing the terms of this Consent Judgment; assisting in the implementation of the relief programs and servicing standards as described in this Consent Judgment; supporting the Attorney General's continuing investigation into misconduct in the origination, servicing, and securitization of residential mortgage loans; to fund consumer fraud education, investigation, enforcement operations, litigation, public protection and/or local consumer aid; to provide borrower relief; to fund grant programs to assist housing counselors or other legal aid agencies that represent homeowners, former homeowners, or renters in housing-related matters; to fund other matters, including grant programs, for the benefit of California homeowners affected by the mortgage/foreclosure crisis; or to engage and pay for third parties to develop or administer any of the programs or efforts described above.

## COLORADO

1. State Payment Settlement Amounts, Consent Judgment Ex. B, Paragraph 1(b)(i)  
The first \$1.0 Million paid to the State of Colorado pursuant to Ex. B, ¶ 1(b)(i), and any interest thereon, shall be held in trust by the Colorado Attorney General and used for future consumer protection and antitrust enforcement and education efforts. The remainder of the funds paid under this provision, and any interest thereon, shall be held in trust by the Colorado Attorney General and used for programs relating to foreclosure prevention, loan modification and housing and for future consumer protection and antitrust enforcement and education efforts.

2. Executive Committee Payment, Consent Judgment Ex. B, Paragraph 2(c)  
The funds paid to the State of Colorado under Ex. B, ¶ 2(c), and any interest thereon, shall be held in trust by the Colorado Attorney General for the following purposes. First, these funds, and any interest thereon, shall be used for reimbursement of the state's actual costs and attorney fees incurred in this matter. The remaining funds, and any interest thereon, shall be held in trust by the Colorado Attorney General and may be used for programs related to foreclosure prevention, loan modification and housing and for future consumer protection and antitrust enforcement and education efforts.

## CONNECTICUT

The Escrow Agent shall pay up to \$2.2 million of the Direct Payment Settlement Amount payable to the State of Connecticut pursuant to paragraph 1(b) of Exhibit B of this

Consent Judgment to provide immediate assistance to Connecticut residents seeking to avoid foreclosure by funding housing counselor positions through the Connecticut Housing Finance Authority and/or the Department of Economic and Community Development and by funding positions and other support to facilitate and expand the Judicial Branch's foreclosure related programs. All of the remaining Direct Payment Settlement Amount payable to the State of Connecticut pursuant to paragraph 1(b) of Exhibit B of this Consent Judgment shall be disbursed at the written instruction of the Office of the Attorney General after consultation by the Office of the Attorney General with the Office of Policy and Management and appropriate officials of the State of Connecticut as may be required by Connecticut law.

The Escrow Agent shall pay any Direct Payment Settlement Amount payable to the Office of the Attorney General pursuant to paragraph 2(c) of Exhibit B of this Consent Judgment to the Attorney General's Consumer Protection Fund, which funds shall be expended to fund protection and education of consumers, including, without limitation, legal assistance to Connecticut citizens seeking to avoid foreclosure, grants to non-profit legal aid organizations assisting Connecticut citizens seeking to avoid foreclosure, funding to support implementation of this Consent Judgment by the Office of the Attorney General, and for any other purposes intended to avoid preventable foreclosures and to ameliorate the effects of the foreclosure crisis.

#### **DELAWARE**

The amount of \$7,913,923.00 will be paid to the Delaware Department of Justice by wire transfer or certified check payable to the "State of Delaware – Consumer Protection Fund", which shall be used in the sole discretion of the Delaware Department of Justice exclusively for the following purposes related to consumer protection efforts to address the mortgage and foreclosure crisis, financial fraud and deception, and housing-related conduct: (1) investigations, enforcement operations, litigation, and other initiatives conducted or overseen by the Delaware Department of Justice Fraud Division, including training and staffing, (2) the Delaware Automatic Residential Mortgage Foreclosure Mediation Program or any successor program, and (3) grants or other aid to agencies and organizations approved by the Delaware Department of Justice for consumer assistance, consumer education, credit and housing counseling, mediation programs, legal assistance, training, or staffing. If the payment is made by certified check, it shall be delivered to:

Delaware Department of Justice  
Fraud Division, Consumer Protection Unit  
820 N. French Street  
Wilmington, Delaware 19801  
ATTN: Ian R. McConnel, Division Chief

#### **DISTRICT of COLUMBIA**

The payment for the District of Columbia shall be paid to the "D.C. Treasurer" in accordance with instructions provided by the Office of the Attorney General for the

District of Columbia. The payment shall be used by the District of Columbia Government, subject to appropriation, for one or more of the following purposes: (1) mortgage-related or foreclosure-related counseling, (2) mortgage-related or foreclosure-related legal assistance or advocacy, (3) mortgage-related or foreclosure-related mediation, (4) outreach and/or assistance to help current and former homeowners secure the benefits for which they are eligible under mortgage-related or foreclosure-related settlements or judgments, (5) enforcement work in the area of financial fraud or consumer protection.

### **FLORIDA**

Of the payment identified in Exhibit B-1 that Defendants are making to settle this matter with the Attorney General, State of Florida, Department of Legal Affairs, 10% is to be paid to the State of Florida as a penalty; the remainder shall be held in escrow by the escrow agent for subsequent disbursement as directed in writing by the Florida Attorney General for purposes consistent with Exhibit B, paragraph 1b(i) of this consent judgment

### **GEORGIA**

The State Settlement Payment Amount to Georgia shall be paid to the state treasury to the credit of the general fund and shall be available for appropriation by the General Assembly for any purpose permitted by state law, including, to the extent practicable but not limited to, those 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 or unfair or deceptive acts or practices, or to compensate Georgia for costs resulting from the alleged unlawful conduct of the Defendants.

### **HAWAII**

The monies are to be held in trust for the benefit of homeowners and others in the State of Hawaii who are, have been, or may be affected by mortgage loan proceedings. This includes, but is not limited to, those who have been subject to foreclosure, are in foreclosure, are at risk of foreclosure, have delinquent mortgage loan payments, have negative equity in their homes, have lost their homes due to foreclosure, have been unable to refinance their mortgage loans, or are leasing a dwelling affected by foreclosure. The monies shall be used for housing and financial counseling, public education, mediation, dispute resolution, and enforcement of laws and agreements protecting the rights of homeowners and lessees. The monies shall be used only for these purposes. The monies shall be deposited into an administrative trust account to be administered by the Attorney General of the State of Hawaii, who as custodian shall have sole discretion to make determinations as to the amounts and the purposes for which the monies are to be expended.



## **IDAHO**

Pursuant to Idaho Code § 48-606(5), the money paid to the State of Idaho, as identified in Exhibit B-1 of the Consent Judgment, shall be remitted to the consumer protection fund.

## **ILLINOIS**

The funds allocated to the Attorney General of Illinois shall be expended, in the sole discretion of the Attorney General, primarily for programs to avoid foreclosure and ameliorate the effects on homeowners of the foreclosure crisis, including without limitation, the funding of: legal assistance, housing counseling, administrative oversight for the funded programs by the Attorney General or others; to support law enforcement efforts to prevent and prosecute financial fraud or unfair and deceptive acts or practices; and for such other purposes as directed by the Attorney General.

## **INDIANA**

Pursuant to the terms of the Consent Judgment entered into between the (a) United States of America and the State Parties; and (b) the Defendants, the State of Indiana will accept and use its cash payments identified in Exhibit B-1 as follows:

1. The cash payment shall be made to the Office of the Indiana Attorney General.
2. A portion of the cash payment will be used for existing and new programs of the Attorney General, including but not limited to:
  - a. Consumer protection services and unfair and deceptive acts and practices investigations, enforcement, litigation, training, outreach, education, and related purposes.
  - b. Homeowner protection services, investigations, enforcement, litigation, training, outreach, education, and related purposes regarding mortgage lending and foreclosures.
  - c. Financial fraud protection services, investigations, enforcement, litigation, training, outreach, education, and related purposes.
  - d. Education and training of counselors, facilitators, attorneys, investigators, and other stakeholders regarding the terms of the settlement.
3. To carry out the purposes of paragraph two (2), funds may be deposited in the following fund accounts and other related fund accounts as necessary:
  - a. Homeowner Protection Unit Fund
  - b. Consumer Fees and Settlements Fund

- c. Identity Theft Unit Fund
  - d. Real Estate Appraiser Licensing Fund
  - e. Telephone Solicitation Fund
  - f. Consumer Assistance Program Fund
4. A portion of the cash payment will be used for a combination of existing and new programs created or administered by the Indiana General Assembly and state executive branch agencies, including but not limited to:
- a. Housing counseling, foreclosure prevention, legal assistance, foreclosure mediation, victim assistance, and related purposes.
  - b. Settlement conferences, court facilitator services, and related purposes.
  - c. Land banks and related purposes.
  - d. Homeowner and renter energy assistance programs such as the Lower Income Hoosier Energy Assistance Program, with priority given to homeowners.
  - e. Workforce and job training programs to assist unemployed and underemployed state residents in increasing income to avoid foreclosure and obtain affordable housing.
  - f. Neighborhood stabilization programs and community blight remediation programs.
  - g. Law enforcement efforts and programs to prevent and address financial, consumer, mortgage lending, and mortgage foreclosure fraud.
  - h. Foreclosure prevention and assistance programs for military service members and veterans.
5. The Attorney General may allocate and designate up to ten percent of the cash payment as a civil penalty or fine.
6. The Attorney General shall allocate the cash payment among the identified purposes at his discretion based on the terms of the settlement.

**IOWA**

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.

### **KANSAS**

The Kansas Attorney General shall dedicate not less than 25 percent of any cash payment to the State of Kansas for the following purposes: 1) supporting the Attorney General's ongoing investigation and prosecution of suppliers in the housing and financial sectors who violate the law; 2) resolving consumer complaints filed with the Attorney General to prevent foreclosures and remedy mortgage servicing abuses suffered by Kansas consumers; and 3) defraying the investigative, administrative and consumer education costs associated with this settlement, including but not limited to the dedication of additional staff to monitor compliance with its terms. The remainder of any cash payment to the State of Kansas that is not dedicated to the above purposes shall be designated as a civil penalty and shall be deposited to the State General Fund for appropriation by the Legislature

### **KENTUCKY**

The Office of the Attorney General for the Commonwealth of Kentucky (hereinafter, the "Attorney General" and "the Commonwealth," respectively) shall direct the payment of \$19,198,220 to the Commonwealth in a manner consistent with the terms of the Consent Judgment to which this Exhibit B-2 refers, such that any funds distributed by the Attorney General shall be used for 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 or unfair or deceptive acts or practices, to address the collateral consequences of such conduct, and to compensate the Commonwealth for costs resulting from the alleged unlawful conduct of the Defendants. Such payments shall include:

- i) \$5,048,220 in agency restricted funds to directly compensate the Office of the Attorney General for the reasonable costs of investigation and litigation of the alleged unlawful conduct of the Defendants, and to finance, within the Office of the Attorney General, ongoing consumer protection actions including, but not limited to, actions addressing any conduct similar to the alleged unlawful conduct of the Defendants by any entity not released by the State Release contemporaneously executed with this Consent Judgment; any civil and criminal investigations emanating from any allegedly improper conduct not released pursuant to the State Release perpetrated by any Defendant or any other person or entity; investigations and potential litigation pertaining to MERS or any related entity involving mortgage assignments in the Commonwealth; and claims of fraud or improper conduct relating to the pooling of, marketing of, or sale of any securities product involving or containing mortgage related payment streams; and
- ii) \$14,150,000 to be distributed at the express direction of the Attorney General to agencies, organizations or entities to avoid preventable foreclosures, to ameliorate the effects of the foreclosure crisis, to enhance law enforcement efforts to prevent and prosecute financial fraud or unfair or deceptive acts or practices, to address the collateral consequences of such conduct, and to compensate the Commonwealth for costs resulting from the alleged unlawful conduct of the Defendants, including, but not limited to, the following:
  - a. The Kentucky Housing Corporation, for purposes including, but not limited to, mortgage assistance to Kentucky homeowners, down payments and/or closing costs assistance for qualifying homebuyers, state and local foreclosure prevention and mediation programs, housing rehabilitation and anti-bligh projects;
  - b. The Kentucky Homeownership Protection Center, to provide homeownership and mortgage-related credit counseling to Kentucky consumers;
  - c. The four federally-funded civil legal aid service organizations within the Commonwealth, to provide housing-related legal assistance to low income consumers;
  - d. The Commonwealth's Unified Prosecutorial System ("UPS"), to support and sustain new and ongoing investigations and prosecutions relating to the foreclosure crisis and consequential criminal conduct plaguing local communities throughout the Commonwealth;

- e. The Commonwealth's Department of Financial Institutions ("DFI"), to assist in regulatory and educational efforts targeting financial services institutions subject to DFI's jurisdictional oversight, and consumers purchasing products and services from such institutions;
- f. The Commonwealth's Department of Public Health, to support and maintain consumer safety and injury prevention programs, including but not limited to, lead abatement programs affecting low income individuals or communities; and
- g. Within the discretion of the Attorney General, any other organization or entity substantially able to implement, manage, develop or support any program consistent with the aims of this settlement.

Funds directed to any agency, organization or entity by the Attorney General pursuant to the terms of this paragraph shall be appropriated, administered and expended consistent with the terms of KRS Chapter 48, as applicable.

### **LOUISIANA**

Said payment shall be payable to the Louisiana Department of Justice Consumer Enforcement Fund and shall be used for investigation of mortgage and foreclosure matters, consumer protection law enforcement and education, litigation funds, public protection, reimbursement of costs and fees associated with the investigation of this matter, ensuring compliance under the terms of this agreement, federal, and state regulations, or for any other purpose, at the direction of the Attorney General, as permitted by state law.

### **MARYLAND**

The settlement amount of \$59,697,470.00 shall be paid for the benefit of the citizens of the State of Maryland, of which the maximum of 10%, or \$5,969,747.00, shall be paid to the Office of the Attorney General of Maryland as a civil penalty to be deposited in the General Fund of the State of Maryland. The balance of \$53,727,723.00 shall be held in trust pursuant to paragraph 1.b. of Exhibit B to the Consent Order, to be disbursed only as directed by the Office of the Attorney General of Maryland and to be used only for housing and foreclosure-relief purposes and for related investigations and enforcement activities. These purposes and activities may include, but are not limited to, the provision of housing counseling, legal assistance, criminal or civil investigations of fraud related to housing and the securitization of mortgage loans, enforcement activities, foreclosure prevention, foreclosure remediation, restitution, and programs to address community blight or to fund other programs reasonably targeted to benefit persons harmed by mortgage fraud.

## MASSACHUSETTS

Payment to Massachusetts (“the Payment”) shall be payable to the Commonwealth of Massachusetts and directed to the Office of the Attorney General, and shall be used, consistent with this paragraph, to provide consumer and community relief to remedy the alleged unfair and deceptive acts and practices that gave rise to this Consent Decree, allocated as follows:

- a) \$4.4 million shall be paid as a civil penalty pursuant to G.L. c. 93A, § 4;
- b) \$1.0 million shall be paid as costs and attorneys fees pursuant to G.L. c. 93A, § 4;
- c) \$1.5 million shall be used for the administration of the terms of this Consent Judgment, monitoring compliance with the terms of this Consent Judgment and enforcing the terms of this Consent Judgment, assisting in the implementation of the relief programs and servicing standards as described in this Consent Judgment, and supporting the Attorney General’s continuing investigation into misconduct in the origination, servicing, and securitization of residential mortgage loans; and
- d) the remainder of the Payment shall be used to establish the Consumer and Community Foreclosure Relief Fund (“the Fund”) which shall be used, in the sole discretion of the Attorney General, to fund or assist in funding programs intended to avoid preventable foreclosures, mitigate the effects of foreclosures on borrowers and communities, provide compensation to borrowers, other persons and communities arising out of alleged unfair or deceptive acts or practices that gave rise to the Consent Decree, and/or enhance law enforcement efforts to prevent and prosecute financial fraud or unfair or deceptive acts or practices. The Fund may further be used to provide consumer education, outreach, local consumer aid funds, consumer protection enforcement funds, and public protection funds or for other uses permitted by state law.

## MAINE

Funds paid to the Maine Bureau of Consumer Credit Protection shall be deposited in the nonlapsing, dedicated account authorized to accept funds from any public or private source as described in 14 MRS § 6112(4) to fund the Bureau’s foreclosure prevention program. Amounts paid to the Maine Attorney General shall be used to fund foreclosure diversion programs including the Bureau of Consumer Credit Protection’s foreclosure prevention program and to legal aid organizations for direct legal services to consumers in support of foreclosure prevention efforts, to defray the costs of the inquiry leading hereto or for other uses permitted by state law at the sole discretion of the Attorney General

## **MICHIGAN**

Payment shall be forwarded at the direction of the Michigan Attorney General. Said payment shall be used for attorneys' fees and other costs of the inquiry leading hereto, and other uses as are consistent with state law and this consent judgment.

## **MINNESOTA**

The State of Minnesota shall use the funds paid pursuant to Exhibit B-1 ("Minnesota Direct Payment Funds") to provide restitution to Minnesota residents who were harmed by Defendant's origination, servicing, or foreclosure practices. The Minnesota Direct Payment Funds shall be deposited into an interest-bearing escrow account. The reasonable expenses of the escrow account and for developing, administering, and implementing the restitution plan, including the expenses of settlement administration and independent claims review, may be paid with Minnesota Direct Payment Funds. After full and fair restitution has been paid to individuals harmed by Defendant's practices as set forth above, any amount remaining shall be deposited into the State of Minnesota General Fund. Defendant shall provide to the settlement administrator retained by the Minnesota Attorney General to administer the Minnesota Direct Payment Funds (the "Settlement Administrator") all information already in its possession and readily available that is reasonably necessary for the administration of the Minnesota Direct Payment Funds, within a reasonable time after receipt of the request for the information. Information pertaining to individual borrowers who may be eligible for payments under the Minnesota Direct Payment Funds, including names and other identifying information and information necessary to verify or corroborate claims for restitution of Minnesota borrowers, shall be provided to Minnesota so long as such information is used solely for the purpose of contacting eligible borrowers, responding to inquiries from borrowers regarding their eligibility for Minnesota Direct Payment Funds, and/or complying with tax reporting and withholding obligations, if any. Appropriate information security protocols, including prior borrower authorization where applicable, shall be utilized to ensure the privacy of borrower information and compliance with all applicable privacy laws.

## **MISSISSIPPI**

The settlement payment for the State of Mississippi in the amount of \$13,580,374.00 shall be distributed to the Mississippi Attorney General for disbursements in accordance with the terms of the Consent Judgment to which this Exhibit refers.

## **MISSOURI**

The Escrow Agent shall pay \$39,583,212 to the State of Missouri:

- a. \$38,583,212 to the State of Missouri Office of the Attorney General and
- b. \$1,000,000 to the state of Missouri Office of the Attorney General to the credit of the Merchandising Practices Revolving Fund for advocacy of consumers

impacted by the practices addressed in this Consent Judgment, for the investigation and prosecution of persons involved in unfair, deceptive and fraudulent practices related to financial services, and for such other purposes as authorized by law.

### **MONTANA**

Pursuant to ¶ 1(b) of Exhibit B to the foregoing Consent Judgment, the sum of \$4,858,276 shall be distributed to the state consumer protection account for the Montana Department of Justice, according to wire transfer instructions to be provided by the Montana Attorney General's Office to the Trustee.

The sum of \$450,000 shall be for civil fines, costs and fees pursuant to Mont. Code Ann. § 30-14-143.

The remaining funds shall be used, at the sole discretion of the Attorney General of Montana, for purposes intended to avoid preventable foreclosures, to ameliorate the effects of the foreclosure crisis, and to enhance law enforcement efforts to prevent and prosecute financial fraud, or unfair or deceptive acts or practices. These purposes include but are not limited to, funding for housing counselors, state and local foreclosure assistance services, state and local foreclosure mediation programs, legal assistance, and funding for training and staffing of financial fraud or consumer protection enforcement efforts.

### **NEBRASKA**

The Nebraska Attorney General, on behalf of the State of Nebraska, directs that Nebraska's portion of the Direct Payment Settlement Amount, pursuant to Exhibit B, Paragraph (1)(b) of the attached Consent Judgment, be distributed to the following, to be used for any purpose(s) allowed pursuant to said Consent Judgment: State of Nebraska-Cash Reserve Fund (11000).

### **NEVADA**

Funds shall be directed to the Nevada Attorney General to be deposited into an account and used for the following purposes: avoiding preventable foreclosure, ameliorating the effects of the mortgage and foreclosure crisis in Nevada, enhance consumer protection and legal aid efforts, enhance consumer financial and housing counseling assistance including economic education and/or instruction on financial literacy for the benefit of Nevada residents, enhance law enforcement efforts to investigate, prosecute and prevent financial fraud or unfair or deceptive acts or practices at the sole discretion of the Attorney General. The aforementioned account shall be interest bearing and all accrued interest shall stay with the account for the above enumerated purposes.

### **NEW HAMPSHIRE**



The funds received by the New Hampshire Attorney General pursuant to this agreement shall be deposited in the consumer escrow account at the Department of Justice and used at the sole discretion of the New Hampshire Attorney General for the protection of consumers in the State of New Hampshire. The permissible purposes for allocation of the funds include, but are not limited to, funding for housing counselors, state and local foreclosure assistance programs, state and local foreclosure mediation programs, legal assistance, funding for training and staffing of financial fraud and/or consumer protection enforcement efforts, supplementing the amounts paid to state homeowners under the Borrower Payment Fund, and civil penalties.

### **NEW JERSEY**

New Jersey plans to apply its share of the settlement proceeds for its attorneys' fees, investigation costs and other expenses related to the investigation and resolution of this matter as well as on one or more of the following programs: Affordable Housing, Local Planning Services, Developmental Disabilities Residential Services, State Rental Assistance Program, Homelessness Prevention, Shelter Assistance, Community Based Senior Programs, Mental Health Residential Programs, Social Services for the Homeless, and/or Temporary Assistance for Needy Families

### **NEW YORK**

The State Payment Settlement Amount for New York, set forth in Exhibit B-1 to this Consent Judgment ("New York Settlement"), will be paid to the Office of the Attorney General of the State of New York ("NYOAG") by certified check payable to the State of New York, Department of Law and deposited by the NYOAG in an account that may be used, as determined by the NYOAG, to address matters relating to housing, lending, mortgage defaults, foreclosures, or the mortgage crisis, including without limitation consumer assistance, investigation, enforcement operations, litigation, public protection, consumer education, or local consumer aid, and for penalties, costs, fees, or any other use permitted under law. The New York Settlement shall be disbursed by the NYOAG in its sole discretion and at its direction consistent with the terms of this Consent Judgment. The certified check shall be delivered to:

New York State Office of the Attorney General  
120 Broadway, 25<sup>th</sup> Floor  
New York, New York 10271-0332  
Attn.: Scott Wilson, Senior Advisor and Special Counsel

### **NEW MEXICO**

Funds allocated to the Attorney General of the State of New Mexico shall be expended, in the sole discretion of the Attorney General, primarily for programs to avoid preventable foreclosures and ameliorate the effects on homeowners of the foreclosure crisis, including without limitation, funding for housing counselors, establishment of a state foreclosure assistance hotline, state and local foreclosure mediation programs, legal

assistance for homeowners facing foreclosure, funding for administrative oversight for and coordination of funded programs by the Attorney General, and to enhance law enforcement efforts to prevent and prosecute financial fraud or unfair or deceptive acts or practices.

### **NORTH CAROLINA**

For the payment of settlement funds pursuant to Paragraph III (3) of the Consent Judgment and in accordance with the provisions of Paragraph 1 (b) of Exhibit B to the Consent Judgment, North Carolina Attorney General Roy Cooper sets forth the following funding allocations for the State of North Carolina's settlement payment and directs the Escrow Agent to pay said funds as follows:

- \$5.74 million to be allocated as civil penalties payable to the Civil Penalty and Forfeiture Fund pursuant to N.C. Gen. Stat. § 115C-457.2 and Article 9, Section 7 of the North Carolina Constitution;
- \$30.60 million to the North Carolina Housing Finance Agency for distribution as follows: (a) \$19.12 million to be allocated to housing counseling providers to ensure that North Carolina homeowners receive the benefits due under this Consent Judgment, and to ensure the availability of homeownership and foreclosure prevention counseling services in North Carolina; (b) \$11.47 million to be allocated to legal services providers in North Carolina for legal representation and assistance to North Carolinians in foreclosure or other housing or lending-related matters;
- \$6.69 million to the Conference of District Attorneys of the North Carolina Administrative Office of the Courts to administer a program of grants among the prosecutorial districts in North Carolina for the purpose of expanding prosecution of lending and financial crimes, and expanding prosecution and investigative abilities in those areas, and obtaining training relating to lending and financial crimes;
- \$2.87 million to the North Carolina State Bureau of Investigation to expand its accounting and financial investigative ability and its expertise to investigate financial and lending crimes;
- \$4.78 million to the North Carolina Department of Justice to enable its Consumer Protection Division to hire attorneys, investigators, financial accountants and other specialists and staff as needed in order to increase its efforts to investigate and pursue cases related to financial fraud and unfair or deceptive trade practices in mortgage lending and financial services, and to assure public awareness of consumers' eligibility for relief under the Consent Judgment and address consumer need for information;

- \$8.6 million to the general fund of the State of North Carolina as compensation for costs and economic losses sustained by the State due to mortgage fraud and foreclosure misconduct. (It is anticipated that an additional \$1 million will be paid to the general fund of the State of North Carolina in the form of attorneys fees.)

To the extent there are funds remaining or unallocated under the allocations set forth above, the Escrow Agent is directed to distribute such funds to the North Carolina Housing Finance Agency for it to distribute consistent with the purposes outlined above. If North Carolina's settlement payment amount is reduced for unanticipated reasons, the individual allocations set forth above will each be reduced by the corresponding percentage amount.

### **NORTH DAKOTA**

The settlement payment to the State of North Dakota shall be paid to the North Dakota Attorney General, and shall be used, in the Attorney General's discretion, to fund housing remediation projects designed to create more affordable and available housing or lodging in areas where more housing or lodging is needed, including creating available housing or lodging for personnel in law enforcement, emergency response, *et cetera*, and to compensate the state for attorney's fees and costs resulting from the alleged unlawful conduct of the Defendants.

### **OHIO**

Ohio's share of the Direct Payment Settlement Amount shall be distributed and delivered to the office of the Ohio Attorney General, and shall be placed in the following two funds:

1. \$90,783,033.00 in the Attorney General Court Order Fund pursuant to section 109.111 of the Ohio Revised Code. The funds shall be transferred, distributed, disbursed, or allocated for the purposes described in Paragraph 1(b)(i) of Exhibit B of the Consent Judgment, including the costs of the Ohio Attorney General in administering this settlement and fund. Interest or other income earned on this account shall also be transferred, distributed, disbursed, or allocated for the purposes described in Paragraph 1(b)(i) of Exhibit B of the Consent Judgment and for the costs of the Ohio Attorney General in administering this settlement and fund.
2. \$2,000,000.00 shall be placed in the Consumer Protection Enforcement Fund created pursuant to section 1345.51 of the Ohio Revised Code. The funds shall be used for the purposes described in section 1345.51.

### **OREGON**

1.1 Payment. Servicers shall make available a total sum of Twenty-Nine Million Two Hundred Fifty-Three Thousand One Hundred Ninety Dollars (\$29,253,190) for payment to the State of Oregon, allocated as follows:

- (a) Four Million Dollars (\$4,000,000) shall be deposited into the Oregon Department of Justice Operating Account established pursuant to ORS 180.180.
- (b) Twenty-Five Million Two Hundred Fifty-Three Thousand One Hundred Ninety Dollars (\$25,253,190) shall be deposited into the General Fund with a recommendation to the Oregon Legislative Assembly that such funds be used for housing and foreclosure relief and mitigation as set forth in this Consent Judgment.

### **PENNSYLVANIA**

The Attorney General of the Commonwealth of Pennsylvania (“Attorney General”) directs that the State Payment Settlement Amount, as that term is used in Exhibit B of this Consent Judgment (“Settlement Amount”), be distributed to the Office of Attorney General, to be allocated by the Attorney General, at her sole discretion, to the Office of Attorney General and the Pennsylvania Department of Banking to further their respective educational and law enforcement purposes; and the balance to be allocated by the Attorney General, at her sole discretion, to appropriate programs that help Pennsylvania homeowners avoid foreclosure. The amount, timing, and manner of the allocation of the Settlement Amount shall be at the sole discretion of the Attorney General.

### **RHODE ISLAND**

The Rhode Island Attorney General shall receive all state government designated funds paid under this agreement. Said funds shall be held in separate accounts and must be used solely for mortgage foreclosure related issues and/or consumer education, outreach, training or related consumer issues as determined by the Rhode Island Attorney General

### **SOUTH CAROLINA**

With respect to the State of South Carolina’s payment, said payment shall be used by the South Carolina Attorney General for a consumer protection enforcement fund, consumer education fund, consumer litigation fund, local consumer aid fund, or revolving fund; for consumer restitution, including the administrative costs thereof; for attorneys’ fees and other costs of investigation and litigation; for reimbursement of state agencies; for cy pres purposes; or for any other uses not prohibited by law. The South Carolina Attorney General shall have sole discretion over the distribution of the funds.

### **SOUTH DAKOTA**

Said payment shall be used by the Attorneys General for attorney fees and other costs of investigation and litigation, or to be placed in, or applied to, the consumer protection

enforcement fund, consumer education or litigation, to defray the costs of the inquiry leading hereto, or may be used to fund or assist in funding housing counselor programs, foreclosure assistance personnel, foreclosure mediation programs, legal assistance and funding for training and staffing of financial fraud or consumer protection enforcement efforts, civil penalties or for other uses permitted by state law, at the sole discretion of the Attorney General

### **TENNESSEE**

The settlement amount of \$41,207,810.00 shall be paid for the benefit of the citizens of the State of Tennessee, of which the maximum of 10%, or \$4,120,781.00, shall be paid to the general fund of the State of Tennessee as a civil penalty. The remaining \$37,087,029.00 shall be paid to the Office of the Attorney General of Tennessee and shall be used for purposes consistent with applicable provisions of the consent judgment as directed by the Office of the Attorney General, including funding foreclosure prevention counseling, other housing and legal assistance programs, related compliance, investigative, enforcement, and education purposes, or to fund other programs reasonably targeted to housing or tenant issues.

### **TEXAS**

Said payment to the State of Texas in the amount of One Hundred Thirty-Four Million, Six Hundred Twenty-Eight Thousand, Four Hundred Eighty-Nine Dollars (\$134,628,489.00) shall be allocated as follows:

- A. Ten Million Dollars (\$10,000,000.00) for civil penalties pursuant to Tex. Bus. & Com. Code §17.47(c) paid to the State of Texas for deposit to the judicial fund pursuant to Texas Government Code §402.007;
- B. One Hundred Twenty-Four Million, Six Hundred Twenty-Eight Thousand, Four Hundred Eighty-Nine Dollars (\$124,628,489.00) paid to the State of Texas for deposit into the General Revenue Fund pursuant to Texas Government Code §404.094(b) and §404.097(c).

### **UTAH**

The Attorney General of the State of Utah directs that the Utah portion of the State Payment Settlement Amounts, as that term is used in Exhibit B of this Consent Judgment, be distributed to the State of Utah to be further allocated as determined by the Utah State Legislature.

### **VERMONT**

The state funds may be used for housing-related or other purposes.

### **VIRGINIA**

The State Payment Settlement Amount for Virginia totaling \$66,525,233 shall be provided to the Virginia Attorney General for deposit to the Attorney General's Regulatory, Consumer Advocacy, Litigation and Enforcement Revolving Trust Fund (the "Revolving Fund"). Amounts deposited to the Revolving Fund may be used for costs of the Attorney General associated with his consumer protection advocacy and enforcement efforts and other delineated purposes permitted by State law.

### **WASHINGTON**

The State of Washington will use its share of the State Payment Settlement Amount, as follows:

1. Ten percent will be designated as a civil penalty.
2. No more than \$5 million will be used to compensate the State for its costs and fees to date, for costs of monitoring and enforcing the terms of the settlement, and for enforcing RCW 19.86, the Consumer Protection Act.
3. The remaining amount will be used for purposes intended to avoid preventable foreclosures or ameliorate the effects of the foreclosure crisis. As permitted by the Consent Judgment, such uses may include
  - a. supplementing the amounts paid to state homeowners under the Borrower Payment Fund;
  - b. funding for housing counselors;
  - c. funding for state and local foreclosure assistance hotlines;
  - d. funding for state and local foreclosure mediation programs;
  - e. funding for civil legal assistance; or
  - f. funding for housing remediation and anti-blight projects.

The State of Washington will convene a committee of public and private stakeholders who are experienced in foreclosure assistance, mortgage lending, civil legal services or housing related issues to determine how best to use the funds. As required by the Consent Judgment, the Attorney General will exercise his discretion over the final disposition of the funds in accordance with the purposes as set forth in the Consent Judgment and will provide instructions to the Escrow Agent accordingly.

### **WEST VIRGINIA**

Settlement payments to the State of West Virginia in the amount of \$5,748,915.00 shall be placed in trust and used at the discretion of the Attorney General solely for consumer protection purposes, including but not limited to, direct payments, restitution, consumer education, legal services, credit or bankruptcy counseling and education, housing counseling, conflict resolution programs, and costs associated with implementing court orders.

### **WISCONSIN**

Money owed to the State of Wisconsin shall be made payable to ‘Attorney General, State of Wisconsin,’ and may be used for any purpose permitted under the Consent Judgment, as solely determined and directed by the Attorney General.

### **WYOMING**

The Escrow Agent shall distribute the amount constituting the State Payment Settlement Amount for the State of Wyoming to the Attorney General of the State of Wyoming, as trustee, to hold and distribute such amount, pursuant to Wyoming Statute § 9-1-639(a)(i), exclusively for the purpose of addressing mortgage and foreclosure matters in the State of Wyoming, by providing grants or other aid to agencies and organizations approved by the Attorney General of the State of Wyoming for mortgage and housing related consumer assistance, consumer education, credit counseling, mediation programs, legal assistance, training, or staffing.

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# \$2.5 Billion

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Understanding how States are  
Spending their Share of the  
National Mortgage Settlement

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Amanda Sheldon Roberts

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# Introduction

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The [National Mortgage Settlement](#) is a historic joint state-federal initiative that settles charges that the five largest loan servicers (Ally/GMAC, Bank of America, Citi, JPMorgan Chase, and Wells Fargo) engaged in a number of servicing abuses and improperly foreclosed on thousands of borrowers around the country. The landmark settlement was first announced on February 9, 2012, and documents officially filed in federal district court and made public on March 13, 2012. The settlement was approved on April 4, 2012.

The \$25 billion settlement includes a mix of direct payments by the servicers and credits for a range of servicing activities. Most of the settlement, approximately \$17 billion, will be in the form of credits for loan modification and foreclosure prevention activities for homeowners still in their homes. However, \$1.5 billion will provide direct payments to borrowers who have been unfairly foreclosed upon, \$3 billion will help current homeowners refinance underwater mortgages, and \$1 billion will enhance the Federal Housing Administration (FHA) capital reserve fund.



In addition to payments listed above, forty-nine states and the District of Columbia (from here on, referred to as a state) will receive direct payments totaling just over \$2.5 billion. In the settlement documents, the general guidelines for use of the funds are:

*To the extent practicable, such funds shall be used for 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, or unfair or deceptive acts or practices and to compensate the States for costs resulting from the alleged unlawful conduct of the Defendants.*

The settlement documents provide a description of what the states intend to do with the funds. Some state descriptions are very specific, while others are vague. Nonetheless, these descriptions provide the first insights into how this \$2.5 billion will be spent. Despite some states diverting funds for non-housing needs, housing advocates are encouraged that, for the most part, the funds will be spent on housing-related activities.

\$2.5 billion is a substantial amount of money and could be a tremendous resource for struggling homeowners and communities that have been devastated by the foreclosure crisis and the abusive actions of the loan servicers. \$2.5 billion is also tempting to state governors and legislators who have been struggling with state budget shortfalls for years.

Therefore, despite the language contained in the settlement, a number of states have diverted the settlement funds away from housing and foreclosure prevention activities.

For most states, the attorney general is the direct recipient of the funds and the sole decision-maker as to how the funds will be used. However, state constitutions differ, and

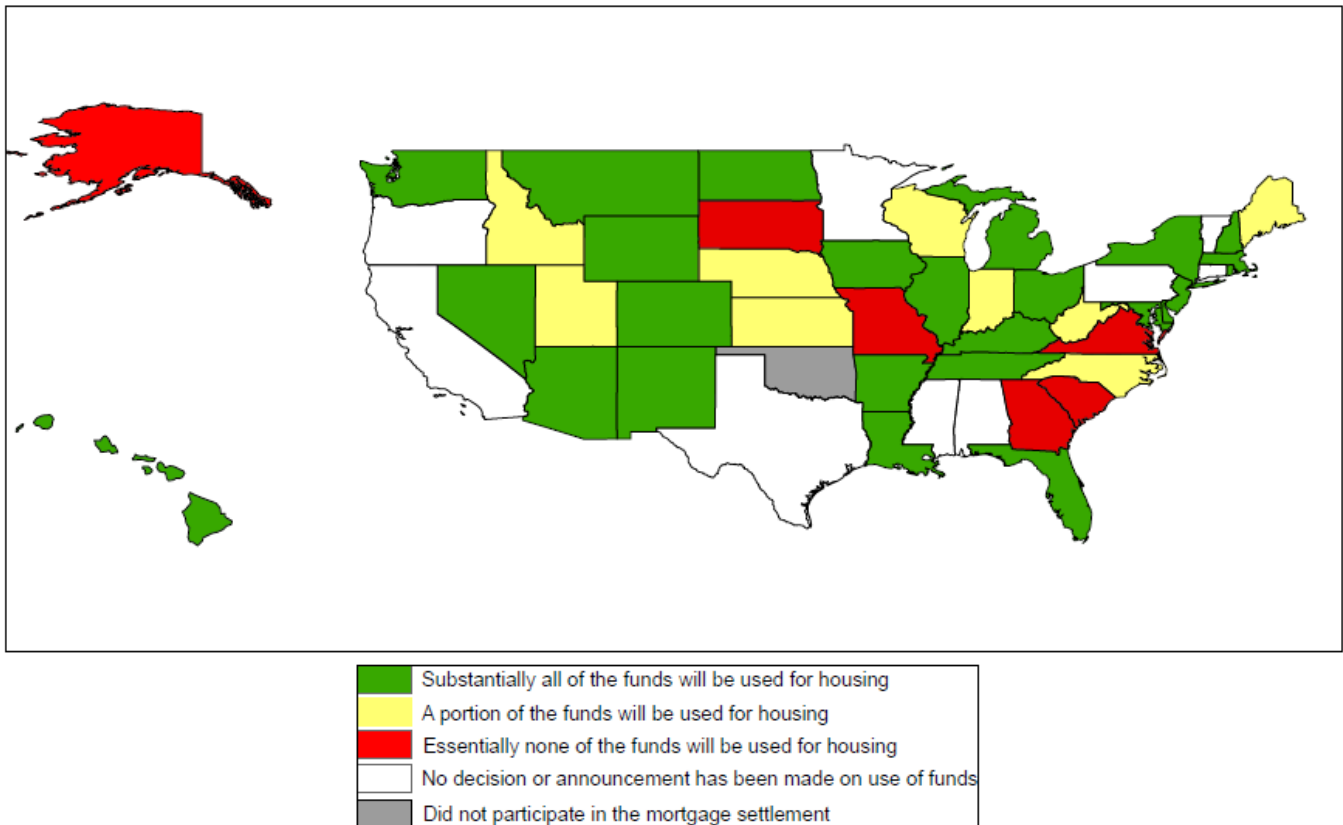
several states noted in the settlement that the final appropriations decision would be made by the legislature. Similarly, a number of attorneys general have made specific recommendations to their legislature as to how they would like the money to be spent, but the final decision will be made by the legislature and/or the governor. Also, the timing of these decisions varies from state to state. Some states have finalized the decision already; others are still in the process. Therefore, housing advocates who would like to see the funds used for housing or foreclosure prevention activities must understand the decision-making process and timing in their particular state in order to be impactful.

# Overview of State Spending

In 50 state capitals around the country, attorneys general, governors, legislators, and public housing advocates are working to determine how the \$2.5 billion will be spent. This is a dynamic process, and it is impossible to know exactly what is happening in all 50 states at any given time. However, based on the best available information at the time of writing, the following national statistics and trends can be observed.

## Percentages of states using their settlement funds for housing- and foreclosure-related activities:

- 27 states are using substantially all of their funds for housing (Noted as “Y” in the “For Housing?” column of the state-by-state analysis table beginning on page 4).
- 9 states are using part of their funds for housing (“partial” in the “For Housing?” column).
- 6 states are not using their funds for housing (“N” in the “For Housing?” column).
- 9 states are completely open as to how their funds will be used (“open” in the “For Housing?” column).



## Status of decisions:

- 10 states have finalized their decision as to how the funds will get spent (“complete” in the “Final Determination?” column).
- 40 states are still in the process of deciding. Common status points include the attorney general submitting a recommendation to the state legislature, the attorney general publicly announcing how the funds will be used (although the legislature or governor may need to approve this plan), or

the process is completely open as the legislature, attorney general, or governor decide how to proceed.

**Types of activities (note that several states are spending money on multiple activities):**

- 16 states will spend the funds on some sort of foreclosure prevention or neighborhood stabilization activity.
- 12 states will spend funds on housing counseling.
- 10 states will spend funds on legal assistance to homeowners.
- 9 states will spend funds on affordable housing programs.
- 5 states will spend funds on law enforcement or more litigation.
- 5 states will spend funds on marketing or outreach to educate citizens about foreclosure-prevention options.
- 4 states will spend funds on foreclosure mediation programs.
- 2 states will spend funds on loan modification programs.
- 2 states will spend funds on foreclosure prevention hotlines.
- 2 states will spend funds on foreclosure scam rescue programs.
- 11 states are putting all or some of the funds into their general fund.

## State Use of \$2.5 billion from National Mortgage Settlement

State	Allocation	Final Determination?	For Housing?	Use of Funds
AL	\$25,305,692	open	open	10% civil penalties; remainder for AG to decide - may use for law enforcement efforts to prevent and prosecute financial fraud, and/or for housing programs; may also distribute funds to other government entities or charitable organizations at sole discretion
AK	\$3,286,839	open	N - open	\$1m to the Division of Banking and Securities; unclear what remainder will be used for
AR	\$12,830,241	complete	Y	\$9m to Development Finance Authority for programs that provide down payment assistance, foreclosure counseling and financial literacy programs; \$2m to AR Access to Justice Commission for legal aid; University of AR School of Law in Fayetteville and the University of AR at Little Rock Bowen School of Law will each receive \$500K for legal aid clinics; \$1.4m to the state treasury for costs and fees associated with the settlement agreement
AZ	\$97,784,204	open	Y	to be used for state foreclosure prevention programs, attorney general's office costs and fees, and to remediate the effects of the foreclosure and housing crisis in Arizona
CA	\$410,576,996	open	open	10% civil penalties; AG announced she would use some of the money to bolster her investigations into the mortgage meltdown by expanding the 42-member Mortgage Fraud Strike Force; series of stakeholder meetings being held around the state
CO	\$50,170,188	complete	Y	\$24m for supplemental loan-modification programs, \$18m for affordable housing programs (up to \$13m to incentivize 4% LIHTC bond transactions), \$5.6m for housing counseling, \$1.5m for legal services, \$750K for temporary staffing at the AG, \$600K for the Colorado Foreclosure Hotline, \$500K for marketing and outreach
CT	\$26,102,142	recommendation to legislature	open	AG recommended to lawmakers that funds should be spent on foreclosure, including HUD-approved housing counselors, the judicial branch's foreclosure mediation program, non-profit legal aid groups, and loan modification programs supported by the Housing Finance Agency
DC	\$4,433,081	AG announcement	Y	mortgage- and foreclosure-related counseling, legal assistance or advocacy, mediation and outreach assistance to help current and former homeowners secure the benefits they are eligible to receive under the settlement
DE	\$7,913,923	AG announcement	Y - open	to fund homeowner assistance programs, educational outreach, support DE's new mortgage mediation program, and fund ongoing and new civil and criminal investigations and cases related to the foreclosure crisis; General Assembly will decide
FL	\$334,073,974	open	Y - open	10% civil penalties; AG sought public input in early May to determine how to spend remainder; eligible uses include housing counseling, foreclosure assistance hotlines, mediation programs, legal assistance, and the Sadowski Housing Trust Fund
GA	\$99,365,105	complete	N	all \$99m to economic development; divided evenly between 2 existing programs - one distributes grants to all regions in GA, other targets rural communities

State	Allocation	Final Determination?	For Housing?	Use of Funds
HI	\$7,911,883	open	Y- open	monies will be administered by the Department of the Attorney General, held in trust to provide benefits to Hawaii homeowners
IA	\$14,651,922	AG announcement	Y	the funds will be used primarily to support the Iowa Mortgage Help Hotline and Legal Aid, which provide services to affected homeowners
ID	\$13,305,209	complete	partial	sent to general fund; \$500K to Consumer Protection Fund, of which \$50K to help consumers understand new foreclosure laws, \$120K to State Bar Volunteer Legal Program, \$120K to ID Legal Aid Services, \$110K to local housing counselors, \$100K to Community Action Partnership to assist families transition to rental
IL	\$105,806,405	open	Y - open	AG has opposed attempts to use funds for anything but foreclosure mitigation - open question of how money will be used; likely some for housing counseling, some for legal aid, and rest may wait to be spent
IN	\$43,803,419	complete	partial	\$28.8m to LIHEAP, \$15m to the AG Consumer Protection Division and its Homeowner Protection Unit (HPU) and other efforts to prevent foreclosure
KS	\$13,778,401	open	partial	at least 25% for foreclosure prevention activities (supporting AG investigation, resolving consumer complaints, defraying settlement costs); remainder deposited into the general fund to be appropriated by legislature
KY	\$19,198,220	AG announcement	Y	for consumer protection programs, to avoid preventable foreclosures, to ameliorate the effects of the foreclosure crisis, and further investigation of abuses, including an investigation of the Mortgage Electronic Registration System (MERS)
LA	\$21,741,560	open	Y	to be used for programs benefitting borrowers, homeowners, and other consumers
MA	\$44,450,668	complete	Y	\$6.9m for penalties and fees; remainder used to create HomeCorps program, which include loan modification, borrower representation, and borrower recovery initiatives
MD	\$59,697,470	AG announcement	Y-open	10% civil penalties; remainder likely to be divided between Baltimore City, Prince George's County, and rest of state for housing activities; committee of local elected officials to determine use of funds
ME	\$6,907,023	complete	partial	\$500,000 for Pine Tree Legal, \$2m for the Maine Bureau of Consumer Credit Protection, and \$5.7m for the general fund
MI	\$97,209,465	recommendation to legislature	Y	\$20m for foreclosure counseling, \$10m for foreclosure rescue scam victims, \$6m for AG Home Protection Unit, \$9.7 for MI Housing and Community Development Fund, \$25m assistance for school children displaced by foreclosure, \$5m assistance for service members, \$21.5m for Educational Achievement Authority and blight remediation
MN	\$41,536,169	complete	Y	Funds will be distributed to qualifying homeowners; remainder will go to general fund
MO	\$39,583,212	passed House	N	\$40m to soften planned cuts to higher education; announced by governor, backed by House leader; \$1 million may be used to administer rest of settlement

State	Allocation	Final Determination?	For Housing?	Use of Funds
MS	\$13,580,374	open	open	AG wants funds for further consumer protection litigation; governor and legislature will ultimately decide how funds are used
MT	\$4,858,276	open	Y	\$450K for civil fines; remainder to avoid preventable foreclosures, to ameliorate the effects of the crisis, and to enhance law enforcement efforts to prevent and prosecute financial fraud; AG decides
NC	\$60,852,159	AG announcement	partial	\$10m restitution to general fund, \$6.3m civil penalties to public schools, \$20m for housing counselors through HFA, \$12m for legal assistance, \$10m for prosecution of lending and financial crimes, \$5m for Consumer Protection Division
ND	\$1,947,666	AG announcement	Y	develop a program with private industry to increase housing in oil country, particularly for newly hired law officers and emergency responders
NE	\$8,422,528	complete	partial	\$1m for the state Affordable Housing Trust Fund; remainder into cash reserves
NH	\$9,575,447	AG announcement	Y - open	to fund foreclosure prevention and homeowner assistance programs and to expand its consumer protection activities
NJ	\$72,110,727	AG announcement	Y - open	AG announced money to be used for various state affordable housing programs; concern about which programs and whether governor will try to divert funds to new purpose
NM	\$11,174,579	AG announcement	Y	\$4.5m in payments to borrowers for mortgage servicing abuse; \$11.7m in payments for state foreclosure prevention efforts, homeowner hotline, outreach and housing counseling
NV	\$57,368,430	open	Y - open	consumer protection and state foreclosure protection efforts
NY	\$107,642,490	partial	Y - open	\$9m to support NY Foreclosure Prevention Services Program, which was set to expire on April 1; up to \$6m to support housing and community renewal activities statewide through not-for-profit community-based housing organizations; remainder unclear
OH	\$92,783,033	AG announcement	Y	\$75m for new grant program for abandoned/vacant property demolition; \$20m for new grant program to non-profits and local governments to fund innovative programs to help struggling homeowners; \$2m to AG Economic Crimes Division to prosecute foreclosure relief scammers
OR	\$29,253,190	open	open	decision on expenditure of funds assigned to the May meeting agenda of the Oregon State Emergency Board; advocates pushing for funds to be used for housing and foreclosure prevention
PA	\$66,527,978	open	open	AG and governor will decide; Consensus among advocates and legislators is to use a portion of the funds for the Homeowners Emergency Mortgage Assistance Loan Program (HEMAP)
RI	\$8,500,755	AG announcement	Y - open	to fund consumer protection and state foreclosure protection efforts
SC	\$31,344,349	House voted	N - open	House Republicans voted to give all to State Commerce Department to create incentives for companies to relocate to SC; Democrats want money used for foreclosure assistance programs; AG wants money used for shelters for battered women and homeless veterans

State	Allocation	Final Determination?	For Housing?	Use of Funds
SD	\$2,886,824	AG announcement	N - open	to enact regulations
TN	\$41,207,810	AG announcement	Y	10% civil penalties, remainder to the Tennessee Housing Development Agency to cover free counseling for all homeowners needing help
TX	\$134,628,489	open	open	deposited into the treasury for future appropriation by the legislature
UT	\$21,951,641	complete	partial	\$1.75m into programs for the homeless; \$2m to the AG's office to hire more mortgage and financial fraud investigators and prosecutors; remainder voted into the state general fund
VA	\$66,525,233	legislative proposal	N - open	\$1m to the State Corporation Commission's Bureau of Financial Institutions; legislature proposing to use remainder of funds to offset reductions in state aid given to localities and a one-time 3% pay raise for state employees
VT	\$2,552,240	open	open	Proposal for half of funds to go toward counseling, legal assistance, and manufactured home financing program; other half to go into general fund
WA	\$54,242,749	open	Y - open	10% civil penalties; \$45m for foreclosure relief programs, including housing counselors, free legal assistance and mediation; AG appointing committee to determine how best to use funds: will include 4 legislators, executive director of HFA, and 7 citizens
WI	\$30,191,806	partial	partial - open	\$26m into general fund to plug budget hole; decision made by AG and Governor; \$3 million to investigate mortgage fraud
WV	\$5,748,915	open	partial	some funds used for "Project: Save Our Homes" workshops around the state to help homeowners access assistance
WY	\$2,614,515	AG announcement	Y	exclusively for mortgage and foreclosure matters, including mortgage and housing-related consumer assistance, consumer education, credit counseling, mediation programs, legal assistance, training, or staffing
<b>Total</b>	<b>\$2,539,915,614</b>			

\* Early reports estimated the state portion of the settlement to be higher, and some AGs released press releases based on these higher estimates. Therefore, some of the amounts described in the "Use of Funds Column" exceed the amount listed in the "Allocation" column.

\*\* In the "For Housing?" column, the word "open" after a "Y" or "N" indicates that an announcement has been made, or some of the funds have been pledged, but the final decisions have not yet been made.

The chart above is based on the best available information at the time of publication and is intended to provide local and national actors with a holistic snapshot of how the funds are being spent. Information was gathered through a combination of news sources, attorneys general websites, conversations with local housing advocates, and the original settlement language. However, decisions are being made every day, and some of the information above may be out of date. Therefore, we would welcome new information from those of you at the local level and will update this as frequently as possible. Please send updates to [aroberts@enterprisecommunity.org](mailto:aroberts@enterprisecommunity.org).