

**INSTRUCTIONS FOR APPLICATIONS FOR DISTRIBUTION FROM THE
FORECLOSURE CRISIS RECOVERY FUND
Disbursement Cycle For Year 2013**

On February 3, 2011, the Los Angeles County Superior Court (“Court”) entered a Stipulated Judgment between Plaintiff the People of the State of California and Defendants David Sambol and Angelo Mozilo (“Judgment”), Case No. LC081846. The Judgment established the Foreclosure Crisis Recovery Fund (“Fund”). The terms of the Fund are set forth at pages 2-5 of the Judgment.

As established by the Judgment, the Fund is administered by the California Attorney General’s Office. The Fund is established to give the Office of the Attorney General and other “authorized agencies” access to funds that can be directed towards combating the effects of high foreclosure and mortgage delinquency rates in California.

“Authorized agencies,” as defined in Paragraph 5(b) at page 3 of the Judgment, may apply for a grant from the Fund in accordance with the procedures set forth below. Grant applications will be reviewed by a committee within the California Attorney General’s Office, as provided in Paragraph 5(f) at page 5 of the Judgment. The California Attorney General will make the final decision regarding which applications to fund.

NOTICE: The grant application (including the separate description and any attachments), any follow-up communications between the Applicant and the Committee, and any post-award progress report submissions are public records which, *absent limited exceptions*, are subject to production pursuant to a California Public Record Act (PRA) request. (Gov. Code § 6250 et seq.) In general, Applications should not include personally identifying information (e.g., personal phone number or home address of undercover officers) or materials containing sensitive information that may compromise an existing or contemplated investigation or litigation matter.

If you believe that submission of sensitive investigatory or personally identifying information is vital to the evaluation of your application, it is recommended that you first contact Supervising Deputy Attorney Benjamin G. Diehl, at (213) 897-5548. If the Applicant Agency elects to submit personally identifying or sensitive information, it must be provided in a separate pdf file labeled “Confidential Addendum to Application of [name of Applicant Agency].” The Addendum must provide (a) the legal authority to withhold the information from disclosure (e.g., applicable legal privilege or specific PRA exemption) and (b) a detailed explanation of the negative impact disclosure of the information would have on the existing or contemplated investigation or litigation that would justify withholding this information.

In the event that a PRA request for the grant applications is received, each Addendum will be reviewed on a case-by case basis. However, please note that the Committee cannot guarantee that the information, even if designated as “confidential” by the Applicant, will not be produced pursuant to a PRA request.

1. Schedule for Applications and Distributions

Applications for the 2013 Distribution Cycle will be **accepted starting June 24, 2013, and must be submitted by August 7, 2013.**

Applications should be submitted electronically in pdf format to: FCRF2013@doj.ca.gov

Please submit the application as two files:

- a. The application form.
- b. The separate description of the proposed program.

If the applicant wishes to submit supplemental materials in addition to the separate description, those materials should be included in a third pdf file.

The Attorney General's Office intends to notify applicants for the 2013 Distribution Cycle regarding whether their application was granted by approximately October 15, 2013. Funds for the 2013 Distribution Cycle will be disbursed after October 31, 2013.

Applicants are limited to one application per Disbursement Cycle.

2. Distribution from the Foreclosure Crisis Recovery Fund: Purpose and Scope

A. Purpose

Grants from the Fund are intended to be used by authorized agencies in investigating and prosecuting misconduct relating to mortgage origination, mortgage servicing, and foreclosures; for consumer education regarding mortgage and foreclosure issues; and for developing and implementing programs to help neighborhoods impacted by foreclosure or very high mortgage default rates. An "authorized agency" means any district attorney, any city attorney, and any city and county attorney authorized to prosecute violations of California Business and Professions Code section 17200 et seq., as set forth in California Business and Professions Code section 17206, as well any state, city or county agency with responsibilities related to consumer protection and education. Applications may be made on behalf of multiple agencies. A multi-agency application for a grant should identify a lead agency and specify the roles to be played by each agency. Authorized agencies may work together with non-profit agencies to expand the scope of services to be offered through grants awarded by the Fund, provided that the grant application specifically identifies and describes the role to be played by any non-profit agency.

The Committee will consider requests for grants that will be used to advance consumer protection and education in the areas of mortgage origination, mortgage servicing, and foreclosures, as well as training of investigators and staff in combating these issues. These examples are not meant to be exclusive.

Please note that in this grant cycle, the Office of the Attorney General particularly encourages applicants to submit proposals aimed at deterring and curing blight, enforcing laws intended to prevent blight, increasing the criminal prosecution of loan modification fraud cases, and developing innovative applications of technology to combat the ongoing harm still being caused by the foreclosure crisis.

The Committee will consider any application for a program or project that serves the purpose of combating misconduct related to mortgages and foreclosures, or foreclosure related issues such as urban blight or violations of the rights of tenants of foreclosed properties. Applicants can request funds to help cover costs and expenses incurred by multi-agency consumer protection programs or to fund projects to be undertaken in conjunction with non-profit agencies, as well as the costs of experts, consultants, investigators, auditors, and equipment the applicant needs, but does not currently possess, to make the proposed project a success.

Grants from the Fund may be used to augment, but not supplant, the budget of the agency awarded a grant. As part of the application, an applicant must represent that its budget will not be reduced by reason of approval of the application.

B. Staff Expenses

Absent extraordinary circumstances, funds may not be used to pay for existing staff salary, benefits, or other compensation. However, while recognizing that there is no guarantee of future money, an application can be made to fund or partially fund, for the term of the grant, new project-specific positions or for limited term positions, such as investigators or auditors, needed to commence an investigation or prosecution.

C. Factors that May be Considered by the Committee

In considering which applications to fund, the Committee will consider the following factors:

- (1) the intended purpose for which funds are sought, with reference to the fact that in this grant cycle, the Office of the Attorney General particularly encourages applicants to submit proposals aimed at deterring and curing blight, increasing the criminal prosecution of loan modification fraud cases, and developing innovative applications of technology to combat the ongoing harm still being caused by the foreclosure crisis;
- (2) the specificity of the proposal, including the use of funds, expected costs and expenses, the role to be played by any non-profit agency, the materials and personnel to be used, the services or goods to be provided through the project (if the application is for a video, brochure, or instruction unit, the applicant should provide a draft of the text or a detailed description of the contents). Please note that an application may be denied based solely on the lack of specificity, including the absence of a sufficiently detailed itemization of expenses;
- (3) competing requests for funding;

- (4) the anticipated public benefit to be served by approving the project;
- (5) the ability of the Committee to audit the use of the disbursed funds to ensure that the funds are used solely for authorized purposes;
- (6) the ability of the applicant to provide the Committee with a report regarding the results achieved by the investigation, prosecution, program, project or activity funded by the Fund;
- (7) the extent to which the proposed investigation, prosecution, program, project or activity will likely provide significant benefits to consumers and/or mortgage fraud victims generally;
- (8) the likelihood for the production of high quality materials that may be replicated and used by the applicant and others after the term of the project has expired; and
- (9) the extent to which the applicant proposes to use Fund monies for expenses involving travel and lodging, food and refreshments, etc.

During the review process, the Committee may contact applicants with questions regarding their applications.

3. Conditions on Disbursements

Each applicant must agree in writing, as part of its application, to the following if awarded a grant from the Fund:

A. Compliance and Authority

- (1) The recipient will comply with any order of the Court in connection with the Fund and the disbursement received.
- (2) The person submitting the application represents that his/her office/unit is authorized to accept funds under applicable state and local laws and that the budget of the applicant's office/unit will not be reduced by the receipt of monies from the Fund. Fund monies shall be used to augment but not supplant the budget of the recipient's office/unit.
- (3) Approval of the application does not constitute the Committee's or California Attorney General's endorsement of the applicant's investigation, prosecution, program, project or other activity.

B. Use of Funds and Financial Controls

- (1) The recipient will vigilantly safeguard the monies disbursed by the Fund, maintain financial controls sufficient to protect the monies and ensure that the use

of monies fully comports with the recipient's application. The recipient will provide a detailed written description of its financial controls upon request by the Committee.

- (2) The funding requested will not be used to pay for regular staff of the agency applying to the Fund unless specifically approved by the Committee.
- (3) Except as otherwise expressly agreed by the Committee in writing, the funds will only be used for the purposes described in the application, as approved or modified by the Committee.

C. Reimbursement of Amounts Distributed

- (1) If the applicant seeks funds for the purpose of investigation or litigation, any costs or attorneys fees the recipient obtains through a civil settlement will be used to reimburse the Fund for the full amount of the grant awarded. The Fund shall be reimbursed before any costs or attorneys fee award is used for any other purpose unless the Committee specifically approves otherwise.
- (2) In the event the recipient is the prevailing party after trial, the recipient will use its best efforts to reimburse the Fund in full from any monetary recovery ordered by trial and appellate courts and paid by the defendant(s).
- (3) If the application is for the purchase of non-case specific goods or services, any excess or unused funds must be returned to the Committee within 60 days after the purchase of the goods or services by check made payable to the California Attorney General's Office, with the notation "Foreclosure Crisis Recovery Fund Reimbursement."
- (4) Except as otherwise expressly agreed by the Committee in writing, within 60 days after the conclusion of the investigation, prosecution, program, project or activity for which funding was granted, the recipient must return unused or excess funds to the Committee by check made payable to the California Attorney General's Office, with the notation "Foreclosure Crisis Recovery Fund Reimbursement."

D. Reporting

- (1) The recipient will notify the Committee in writing within 30 days of resolving litigation, including any settlement, judgment or other resolution.
- (2) Six months after the funds are disbursed the recipient will notify the Committee in writing of the status of all outstanding litigation or investigations for which funding was granted and thereafter provide notice annually on the anniversary date of the disbursement.

- (3) Recipients must submit a self-evaluation report within six months after the funds are disbursed, and a final report to the Committee within 60 days of completing the investigation, prosecution, program, project or activity for which funding was awarded. These reports shall specify how the funds were used. All reports submitted to the Committee shall be treated by the Attorney General's Office as confidential law enforcement communications.
- (4) All correspondence with the Committee shall be directed to Supervising Deputy Attorney General Benjamin G. Diehl, and sent as pdf attachments to e-mails addressed to: Benjamin.Diehl@doj.ca.gov, or any other e-mail address subsequently specified by the Office of the Attorney General.

E. Cooperation with the Committee

- (1) The recipient will cooperate with the Committee and its agents in providing all information concerning the use of funds the Committee may reasonably request and will maintain sufficient records for auditing purposes to substantiate any expenditure. In the event of a multi-agency grant, the lead agency shall be solely responsible for complying with this paragraph, except as otherwise expressly agreed by the Committee in writing.
- (2) The recipient will comply with any additional requirements the Committee may impose, including but not limited to completing and promptly returning any form required by the Committee to acknowledge selection as a recipient of monies from the Fund.
- (3) The Committee may designate, and require completion of, forms to satisfy these requirements. The Committee may attach additional written conditions to the award of any disbursements from the Fund.
- (4) The Committee will (except in extraordinary circumstances) condition funding an application for the production of any materials on the applicant's agreement to permit the California Attorney General's Office and other authorized agencies to use those materials, without restriction, for their intended purposes.

4. Amount and Timing of Distributions

Any amount up to the current balance of the Foreclosure Crisis Recovery Fund may be awarded in a Disbursement Cycle, at the discretion of the Office of the Attorney General as provided for in paragraph 5(e) of the Judgment. While there is no restriction on the number of applications granted or the specific amounts awarded to a recipient in a Disbursement Cycle, it is the Committee's intent that disbursements will be made in a manner that will enable the most efficient use of the funds to maximize the Fund's impact and the benefits to authorized agencies and communities.

Successful applicants will not automatically receive the amount of funding requested in the application. The Committee reserves the right to review and reduce the amounts requested and/or to request modifications to an application prior to awarding a grant. If the Committee decides to award less funding than requested by an applicant, the applicant shall have the opportunity to modify its budget and project objectives accordingly, or decline to accept the grant.

Partial operating support may be awarded to existing projects depending on how well they fulfill the purpose and goals of the Fund, and the availability of other sources of funding, now and in the future.

Grants shall be made on an annual basis only, in a single lump sum. The Attorney General's Office intends to select and notify disbursement recipients no later than October 15, 2013. Disbursements for the 2013 Disbursement Cycle will be made after **October 31, 2013**.

5. The Foreclosure Crisis Recovery Fund Committee

The Committee will include the Senior Assistant Attorney General of the Consumer Law Section and the Chief Assistant Attorney General of the Public Rights Division of the California Attorney General's Office or their designee(s). If the Committee consists of two members, only applications that both members of the Committee approve will be submitted to the Attorney General for final approval. If the Committee consists of more than two members, only applications that two-thirds or more of the Committee members approve will be submitted to the Attorney General for final approval.

6. Reimbursements and Contributions to the Fund

As noted above, the Committee will require applicants, as a condition of accepting an award from the Fund, to reimburse the Fund from any settlement or recovery (as permitted by law). Nothing in the Judgment or these instructions shall preclude a recipient from reimbursing the Fund in amounts greater than the amount received from the Fund, and an authorized agency regardless of whether a grant recipient, may provide contributions to the Fund at any time.

Funds may also be donated or contributed to the Fund from any source, subject to approval by the Committee.

7. Auditing and Reporting

Recipients of grants from the Fund shall maintain accounting records and other documents pertaining to costs incurred during the Disbursement Cycle for three years from the date of the final disbursement from the Fund. The Committee must be permitted to audit, review and inspect the recipient's books and records during the grant period and for three years following the final disbursement of funds to the recipient.

Recipients will be required to submit self-evaluation reports to the Committee on the progress of their project six months after receiving disbursements, as well as a description of how the funds

were used. Multi-year recipients will also be required to submit an annual progress report in each succeeding year of a multi-year grant.

Recipients must submit a final report to the Committee within 60 days of completing the investigation, prosecution, program, project or activity for which the grant was awarded. The report shall specify how funds were used and describe the outcome of the investigation, prosecution, program, project or activity for which funds were awarded.