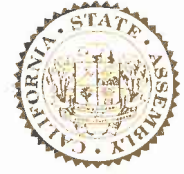




California State Legislature Joint Republican Caucus



April 10, 2019

Honorable Gavin Newsom
Governor of California
State Capitol
Sacramento, CA 95814

Dear Governor:

During last decade's recession, California joined a nation-wide lawsuit against the country's five largest mortgage lenders. This case, which alleged that the companies engaged in abusive lending practices, was settled in 2012 when the defendants agreed to a \$22.5 billion settlement. \$20 billion was designated for foreclosed homeowners and \$2.5 billion to the states that brought the suit. Among the states, California received the largest share of the settlement, \$410 million. The money was supposed to be spent on foreclosure hotlines, legal aid, consumer education and efforts to combat financial fraud.

Instead of abiding by the terms of the settlement, the Governor and Legislature raided the fund to pay government debt. This decision was promptly challenged in court and multiple rulings found that the state improperly diverted the funds and ordered that they be used for their intended purpose.

Last year, rather than abide by the original agreement and the subsequent court decisions, California adopted a law to retroactively declare that the Governor had acted properly when diverting the funds.

A week ago, California's Third District Court of Appeal ruled unanimously that this legislation was improper and once again ordered the state to return the funding so it could be used to aid distressed homeowners.

The courts have been clear that this money must be used for its original purpose.

While the initial decision to divert settlement funds might have been defensible in light of the state's budget shortfall at the time, our fiscal situation has improved dramatically since then. With a record surplus of \$21.4 billion, there is simply no reason to continue this legal dispute. The state can pay all the money it owes and still have more than \$21 billion in excess revenue.

Our economy has moved beyond the depths of the recession, but many in our state are still struggling. With 15 California counties having foreclosure rates above the national average, it is clear that there are financially-distressed homeowners who need the state's help. Accepting the court's directive that the 2012 settlement funds be returned will provide much needed assistance.

Given this, we urge you to heed the courts' directives, forego any future appeals and use the settlement funds provide struggling homeowners with the help they deserve.

Sincerely,

Marie Waldron

John Mead SD 37

Thomas Lachney

Frank Siglow

Tyler

Wentworth

D. Math #26

Ken Fy AD34

Y. King AD6

Ben Jelle AD2

Randy Voepel AD71

Chen AD42

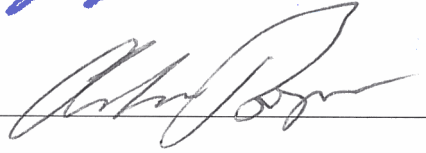
Jay Clark AD33

Phillip Chen AD55

W. W. P. AD73

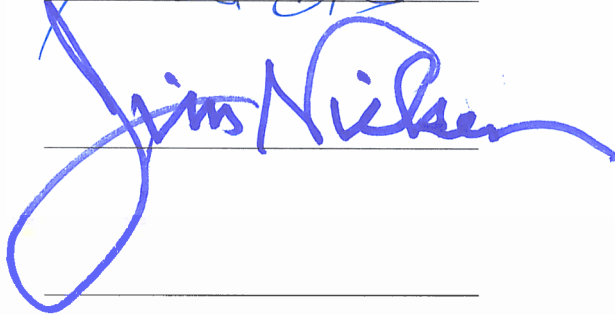
John Chen AD3


AD 35



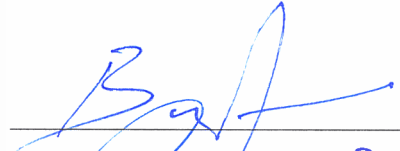








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