

## **Terms of the California Commitment: Overview**

*California is joining the national servicing settlement, and has extracted a historic commitment from the nation's largest mortgage lenders for an estimated \$18 billion in support and aid for struggling homeowners.*

### **Highlights of the California Commitment:**

- Hundreds of thousands of households will receive relief under the commitment.
- A separate California-only guarantee imposes substantial financial payments up to \$800 million if banks fail to comply with the commitment. California will closely monitor bank performance of their obligations to homeowners and can enforce payments in state court.
- California's separate guarantee limits the lending misconduct releases contained in the broader settlement and therefore preserves the Attorney General's authority to investigate and prosecute crimes, predatory origination and other wrongdoing.
- The estimated total of \$18 billion in aid must be delivered within three years, and includes a California guarantee of over \$12 billion dollars in one of the most important forms of homeowner relief – principal write downs.
- California's separate guarantee provides incentive for banks to perform substantial principal write downs in California's hardest-hit counties like Stockton, etc. within the first year of the settlement.
- Interim reforms will make the mortgage process simpler and fairer: an end to dysfunctional "dual-track foreclosures," the guarantee of a single point of contact for homeowners seeking help and penalties for unfair bank practices.

### **Homeowner Benefits will be structured in the following manner:**

- \$12 billion, at a minimum, will be dedicated to reduce the principal balance on loans by offering either affordable modifications or short sales to approximately 250,000 California homeowners whose homes are worth less than what they owe on their mortgage and who are behind or cannot continue to make payments.
- \$430 million payment in penalties, costs, and fees.
- An estimated \$849 million to help refinance the loans of approximately 28,000 California homeowners with interest rates above 5.25 percent who are current on their mortgage payments but underwater on their loans.
- An estimated \$279 million will be dedicated to provide payments to approximately 140,000 homeowners foreclosed upon during the worst period of servicing misconduct.
- An estimated \$1.1 billion will be distributed to California communities to repair blight and devastation left by waves of foreclosures in hard-hit areas.
- \$3.5 billion is estimated to flow to forgive unpaid debts to banks for about 32,100 homeowners who have lost their homes to foreclosure.

**Next steps in protecting homeowners:**

- California will collaborate with state and federal partners to investigate and prosecute all criminal acts, false claims, predatory and discriminatory lending practices, theft of public funds with fraudulent securities, securities fraud, actual fraud committed after July of 2009, and scams targeting homeowners.
- Attorney General Kamala Harris will introduce a comprehensive package of legislation to make the interim reforms in the California commitment stronger, and to extend them permanently, instead of for the three-year period of the agreement.