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## PRESS RELEASE

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### **California Court Rules That Governor Brown Unlawfully Diverted \$331 Million from National Homeowner Special Deposit Fund by BofA, Wells Fargo and Other Major Banks**

Late Friday, June 12<sup>th</sup> 2015, the Superior Court of California in Sacramento ruled that Gov. Jerry Brown unlawfully diverted more than \$331M from the mortgage settlement funds paid by five large banks to help millions of financially distressed homeowners. The court stated that these specially designated funds could not be used to address budget shortfalls that existed in 2012. The National Mortgage Special Deposit Funds were specifically negotiated by Attorney General Kamala Harris to help more than a million California homeowners in distress. But soon after California received these funds, Governor Brown, in the face of a multi-billion dollar budget deficit, according to the court, improperly diverted the funds to plug holes in the state budget.

In March 2014, two major minority church organizations, assisted by a major HUD-approved home counseling organization, filed a lawsuit challenging Governor Brown's illegal diversion of funds. The groups are the National Hispanic Christian Leadership Conference, on behalf of 40,000 Latino evangelical churches, Christ Our Redeemer AME Church and the National Asian American Coalition.

Late Friday, the court conclusively ruled on behalf of these three minority groups. The court stated that \$331 million was unlawfully diverted from Attorney General Harris' special mortgage funds. The court stated that the Governor and the Legislature are obligated to return these funds as quickly as possible to the mortgage fund on behalf of homeowners in distress. The court in its concluding order called on the Legislature and the Governor to do "whatever is necessary and appropriate to meet this obligation."

Faith Bautista, the CEO of the National Asian American Coalition, strongly praised the court's decision. "There are more than 800,000 homeowners in distress today. A large percentage are in the San Joaquin Valley and the Inland Empire and are still deeply underwater. There is neither water nor homeowner help. We thank Attorney General Kamala Harris for creating this fund and call upon her to help lead the effort to return these funds to homeowners in distress.

Senior Pastor Mark Whitlock of Christ Our Redeemer AME Church, and the Chair of corporate partnerships for our nation's five thousand African Methodist Episcopal churches, stated, "California minorities have always had a friend in Governor Brown. We urge the Governor to immediately meet with church leaders to help lead the Legislature to the 'Promised Land,' including preventing unnecessary foreclosures."



Pastor Jesse Miranda, former Chair of the 40,000 Latino churches within the National Hispanic Christian Leadership Conference, stated, "The Legislature, both Republicans and Democrats, are committed to homeowners in distress, as is the Governor. It is our intention on behalf of every homeowner in distress to meet the Legislature and Governor within the next week to restore the \$331 million taken from the pockets of largely low-income homeowners across the state. This is particularly easy to do since the state's surplus is now many billions of dollars." (The Legislative Analyst's Office estimates a surplus of at least \$9.6 billion by the end of the Governor's term in office.)

The lead attorney, Neil Barofsky, of the law firm of JENNER & BLOCK LLP, representing the petitioners in this lawsuit stated, "We are grateful for the judge's decision. We look forward to the Governor's putting the \$331M back where it belongs so that struggling California homeowners can get the cash and assistance they so desperately need."

Please note that the Legislature over the next two weeks will be urging the Governor to appropriate \$2.2 billion in additional funds to help the poor. Attached is the court's decision.