

2011 DRAFTING REQUEST

Bill

Received: 02/10/2012

Received By: **jkreye**

Wanted: As time permits

Companion to LRB:

For: **Lena Taylor (608) 266-5810**

By/Representing: **eric**

May Contact:

Drafter: **jkreye**

Subject: **State Finance - miscellaneous**

Addl. Drafters:

Extra Copies:

Submit via email: **YES**

Requester's email: **Sen.Taylor@legis.wisconsin.gov**

Carbon copy (CC:) to:

Pre Topic:

No specific pre topic given

Topic:

Prohibit expenditure of national mortgage settlement unless approved by the legislature

Instructions:

See attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?				_____			State
/1	jkreye 02/10/2012	jdyer 02/10/2012	rschluet 02/10/2012	_____	sbasford 02/10/2012	sbasford 02/10/2012	

FE Sent For:

<END>

↳ At Intro.

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Friday 2-10-12

Eric Peterson - Sen Taylor

bill to require legislative approval
to use mortgage settlement money
for balancing the budget

Walker, Van Hollen: Chunk of mortgage settlement going to state budget

By [Jason Stein](#) and [Paul Gores](#) of the Journal Sentinel

Feb. 9, 2012 | [\(504\) Comments](#)

Wisconsin will use a chunk of its \$140 million share of a national settlement over foreclosure and mortgage-servicing abuses to help the state budget rather than assist troubled homeowners, Gov. Scott Walker and state Attorney General J.B. Van Hollen said Thursday.

Walker and Van Hollen said the majority of the settlement amount earmarked to Wisconsin under a \$25 billion proposed nationwide agreement announced Thursday still would go to aid consumers in Milwaukee and other communities struggling with the specter of home foreclosure.

But of a \$31.6 million payment coming directly to the state government, most of that money - \$25.6 million - will go to help close a budget shortfall revealed in newly released state projections. Van Hollen, whose office said he has the legal authority over the money, made the decision in consultation with Walker.

"Just like communities and individuals have been affected, the foreclosure crisis has had an effect on the state of Wisconsin, in terms of unemployment. . . . This will offset that damage done to the state of Wisconsin," Walker said.

The news that part of the money would be used to reduce the state budget deficit drew criticism from Milwaukee Mayor Tom Barrett, who said "not one dime should be used to fund the unbalanced state budget."

Barrett, who lashed out at Walker and Van Hollen during a City Hall news conference, has contended that most of the \$31.6 million should go to foreclosure mitigation programs in his city, which has had the most foreclosures in the state.

Barrett said "hundreds and possibly thousands have lost their homes because of this bait-and-switch" by lenders who pushed subprime mortgages during the housing bubble.

"The worst thing that can happen now is for the state of Wisconsin to employ its own

bait-and-switch," Barrett said.

Ald. Michael Murphy compared the decision to the state's use of tobacco settlement proceeds to fill budget gaps.

If Milwaukee could get most of the money that is allocated directly to the state, it would use it to rehabilitate some foreclosed homes, raze others and beef up its programs to help people stay out of foreclosure, Barrett said.

Barrett, a Democrat, lost the 2010 gubernatorial election to Republican Walker, and the mayor is considered a possible candidate in a likely recall election targeting the governor.

Pieces of the pie

Van Hollen said Barrett was wrong to focus on the \$31.6 million segment going to state government rather than the \$140 million going to the state as a whole.

"The overwhelming majority of that \$140 million is going to go to Milwaukee, is going to be able to help homeowners who are in trouble in Milwaukee, reimbursing homeowners who were foreclosed upon and shouldn't have been, preventing or remediating blight and creating jobs," Van Hollen said.

"A big part of what we're trying to do is make the state whole for what all of its citizens have suffered. Even those who weren't foreclosed upon have suffered in property values, in an economic decline because of some of these practices."

The office of Assembly Minority Leader Peter Barca (D-Kenosha) is examining whether Van Hollen has the sole authority to allocate the settlement money going to state government.

Wisconsin would receive a \$140 million settlement from the country's five largest mortgage servicers as part of the federal-state agreement over foreclosure abuses, fraud and unacceptable mortgage servicing practices.

The settlement stems from a massive enforcement investigation by a bipartisan coalition of state attorneys general and banking regulators, along with federal agencies.

The Wisconsin cut of the proposed settlement includes:

Up to \$60 million in benefits from loan term modifications and other direct relief for homeowners.

Approximately \$17.2 million in uniform payments of up to \$2,000 for eligible Wisconsin borrowers who lost their home to foreclosure from Jan. 1, 2008, through Dec. 31, 2011, and who sustained servicing abuses.

Approximately \$31.3 million in refinancing benefits for eligible borrowers who are making payments but owe more than their home is worth.

Payment to the state of approximately \$31.6 million that may be used for future law enforcement efforts, additional relief to borrowers, civil penalties, funding of foreclosure relief programs and compensation to the state for its losses from the crisis.

The money for Wisconsin, and the rest of the \$25 billion, will come from Bank of America, J.P. Morgan Chase, Citigroup, Residential Capital and Wells Fargo & Co.

In a letter dated Jan. 31 to Van Hollen, Barrett and Murphy suggested that the city of Milwaukee should be the chief recipient of expected settlement funds. They said the city, which has seen more than 20,000 foreclosure actions started on Milwaukee property owners since 2008, has "an enormous stake in the outcome of this settlement."

"Given the impact that foreclosures have had on the city - our neighborhoods and our service delivery systems - it is our expectation that the city should receive a majority of the settlement funds," Barrett and Murphy wrote.

On Thursday, the mayor urged Van Hollen to come to Milwaukee "to see the devastation in these neighborhoods," and then reconsider his decision on where the money should go.

"Just as these homes have been abandoned, the state, if it continues on this course, will abandon Milwaukee," Barrett said.

Flipped stances

In the past, Walker has been sharply critical of using so-called "one-time" money from legal settlements to balance the state budget. He defended his own use of this settlement money Thursday by saying this time it was different since the foreclosure crisis had a "direct impact on the economy."

The Wisconsin Bankers Association, which represents banks of all sizes in the state, called the deal "an important agreement that will provide a measure of relief to some Wisconsin homeowners and communities."

"It creates a framework for these five servicers and their customers to work toward the common goal of stabilizing the nation's housing market," said Rose Oswald Poels, chief executive of the bankers group. "This settlement addresses a specific group of mortgages offered during a defined time frame and does not reflect the practices of the vast majority of banks. Banks in Wisconsin go to great lengths to avoid foreclosure actions and are already adhering to strict standards to prevent improper foreclosures."

The state bankers association said it supports the use of the discretionary portion of the settlement dollars going toward foreclosure mitigation and neighborhood stabilization

efforts.

Borrowers should contact their mortgage servicer for more information about specific loan-modification programs and whether they qualify under terms of the settlement. A list of frequently asked questions has been posted on the [Wisconsin Department of Justice home page](#). Other relief

Apart from the \$25.6 million going to the state budget, the state will allocate some additional settlement money to communities affected by the foreclosure crisis. That includes:

\$750,000 to the Milwaukee Equity Investment fund to fight unemployment in the city through investments in businesses there.

\$750,000 to a loan guarantee program for Milwaukee businesses.

\$1 million for a statewide blighted-neighborhood grant program to help municipalities to demolish homes left vacant because of the crisis. Half of that money comes from the state Department of Financial Institutions to match the other half in settlement money.

In a written statement, Wyman Winston, the executive director of the Wisconsin Housing and Economic Development Authority, said funds directed to WHEDA by Walker and Van Hollen from the settlement would enable it "to spur up to \$15 million of business investment in Milwaukee's industrial corridor."

"In addition, WHEDA will use a portion of these funds, combined with settlement funds contributed by the Department of Financial Institutions, to help smaller communities throughout the state improve distressed neighborhoods through demolition and development," Winston said.

Russell Kashian, a University of Wisconsin-Whitewater economics professor who tracks foreclosures in the state, said he doesn't think the settlement will have a big impact on the problem and probably won't help all the people it should.

"Some of the people who were aggrieved went to family and friends and saved their houses," Kashian said. "You can't identify those people. All you can identify is the failures, but that's not really the entire picture."

He also said a \$2,000 payment for people who lost their homes in foreclosures that involved improper practices by mortgage servicers doesn't amount to much.

"I would never turn down \$2,000, but that's not going to fix the fact that you're out of a house and your credit is destroyed," Kashian said.

Rick Romell and Larry Sandler of the Journal Sentinel staff contributed to this report.

Wisconsin shares in foreclosure settlement

The banks involved will identify eligible participants, but that search process could take six to nine months. If you make your monthly payments to one of the five banks involved, you should contact them to see if you are eligible. Here are the numbers:

Bank of America: (877) 488-7814

Citibank: (866) 272-4749

Chase: (866) 372-6901

Ally (GMAC): (800) 766-4622

Wells Fargo: (800) 288-3212

Loans owned by **Fannie Mae** or **Freddie Mac** are not part of the settlement. To find out if your mortgage is owned by either, visit:

<http://www.fanniemae.com/loanlookup/>

www.freddiemac.com/avoidforeclosure

If you believe you are eligible for a cash payment under the settlement but are concerned you will be difficult to locate, contact the **Wisconsin Department of Justice** at (800) 998-0700 or (608) 266-1852.

More information is available at the Wisconsin Department of Justice home page at www.doj.state.wi.us

Other online resources include www.nationalmortgagesettlement.com, www.hud.gov and www.justice.gov

Find this article at:

<http://www.jsonline.com/news/wisconsin/state-to-receive-140-million-to-settle-mortgage-claims-qh44q6v-139014139.html>

Check the box to include the list of links referenced in the article.



JK
jld

2011 BILL

in Friday 2-10

Today

Gen

X

1

AN ACT ...; relating to: prohibiting the expenditure of moneys from the national

2

mortgage settlement without legislative approval.

Analysis by the Legislative Reference Bureau

This bill prohibits the expenditure of moneys directly received by the state from the national mortgage settlement unless the expenditure is approved by the legislature.

For further information see the *state*[✓] fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

3

SECTION 1. 20.932^X of the statutes is created to read:

4

20.932 National mortgage settlement. The state may make no expenditure

5

of the moneys directly received from the national mortgage settlement[✓] unless the

6

expenditure is approved by a majority of the members elected to each house of the

7

legislature.[✓]

8

(END)

Basford, Sarah

From: Peterson, Eric
Sent: Friday, February 10, 2012 11:02 AM
To: LRB.Legal
Subject: Draft Review: LRB 11-4077/1 Topic: Prohibit expenditure of national mortgage settlement unless approved by the legislature

RUSH

Please Jacket LRB 11-4077/1 for the SENATE.