

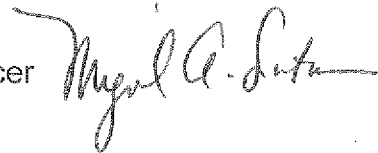
CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

0130-02019-00002

Date: May 14, 2012

To: The Mayor
The CouncilAttn: Mandy Olvera, Mayor's Office
John White, City Clerk's Office

From: Miguel A. Santana, City Administrative Officer

Subject: **GRANTS PILOT PROGRAM – GRANT ACCEPTANCE PACKET FOR THE
FY2011-12 CALIFORNIA ATTORNEY GENERAL FORECLOSURE CRISIS
RECOVERY FUND GRANT**

Attached is the Grant Acceptance Packet for the FY2011-12 California Attorney General Foreclosure Crisis Recovery Fund Grant in the amount of \$75,000 for the support of a temporary housing and mortgage securities specialist. As a participant in the Grants Pilot Program, this department submitted the packet for review and analysis by the CAO Grants Oversight Unit and the appropriate CAO Analyst.

In accordance with the approved procedures for the Pilot, this Office reviewed the Packet for completeness, conducted a concise analysis and prepared a Fiscal Impact Statement. The Grant Acceptance Packet consists of the following:

- Review of Grant Award and Acceptance Determination
- Department Request for Acceptance of Grant Award
- Department Application for Distribution

If you have any questions about the Grants Pilot Program or the procedures for the Grant Acceptance Packet, please contact Camilla Fong at 213-978-7681.

Attachments

MAS:ACA:CLF:04120099c

OFFICE OF THE CITY ADMINISTRATIVE OFFICER
Review of Grant Award and Acceptance Determination

Recipient City Department: Office of the City Attorney		Award Notification Date: March 2012
Grant Award Title: Foreclosure Crisis Recovery Fund		Grant Amount: \$75,000 Prior Grant Award(s): \$0
Awarding Agency: California Attorney General's Office		
Grant Agreement Number/Reference:	Performance Start Date: 05/01/2012	Performance End Date: 04/30/2013
Purpose: The Office of the City Attorney is requesting authority to accept grant funding from the California Attorney General's Foreclosure Crisis Recovery Fund. Funding in the amount of \$75,000 will fund a Housing and Mortgage Securities Specialist contracted by the City Attorney's Office for one year to investigate, develop and assist staff attorneys with unlawful foreclosure cases.		

Checklist for Grant Acceptance:	Yes	No	N/A	Comments
1. Authority for Grant Acceptance				
• Department requests acceptance of the Grant	X			() Terms/Conditions outlined in Award Notice/Grantor Agreement
2. Match Requirement Review				
• Match Sources Identification completed			X	() Obtain match requirements from Award Notice/Grantor Agreement
• Additional Funds requested			X	() Submit to CAO for review
3. Charter Section 1022 Determination				
• Charter Section 1022 findings completed			X	() Submit to CAO for review and determination
4. Provisions for Grant-Funded Contracts				
• Standard and Grantor Provisions or equivalent language is included			X	() Incorporate Provisions or Language into proposed agreement
• Pro Forma Agreement RFP <input type="checkbox"/> MOU <input type="checkbox"/> PSA <input type="checkbox"/>			X	() Submit to City Attorney for review and approval; copy to CAO
5. Personnel Authorities				
• Department has submitted a request for position(s)			X	() Review documents and make determination
6. Grant Implementation Recommendations				
• Department has submitted grant implementation instructions	X			() Submit to CAO for review
7. Controller Instructions for Fund/Accounts Set-Up				
• Department has requested Funds/Accounts Set-up	X			
8. Governing Body Resolution/Certification				
• Department has submitted Resolution/Certification			X	() Submit to CAO and City Attorney for review
9. Fiscal Impact Analysis				
• Department has submitted Fiscal Impact Statement	X			() Submit to CAO for review and determination

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Review of Grant Award and Acceptance Determination

10. Grant Award Summary

The Office of the City Attorney is requesting approval to accept \$75,000 in grant funding from the California Attorney General's Foreclosure Crisis Recovery Fund. As part of the settlement in *People of the State of California v. Countrywide Financial Corporation*, the California Attorney General's Office developed the Foreclosure Crisis Recovery Fund to aid cities and counties in combating the effects of the real estate collapse and of mortgage and real estate fraud.

Funding in the amount of \$75,000 will fund a temporary Housing and Mortgage Securities Specialist to be contracted by the City Attorney's Office for one year to investigate, develop, and assist staff attorneys with unlawful foreclosure cases. The Housing and Mortgage Securities Specialist will assist with discovery by interviewing witnesses and developing statements, drafting/responding to discovery, and preparing expert witness declarations. No matching funds are required in order to accept this grant.

11. Recommendations

Pursuant to a review of departmental recommendations for this grant, please provide a complete list of necessary actions for implementation including acceptance of the award by the City, Controller instructions for fund and accounts set-up, coordination of project activities, etc.

That the Council, subject to the approval of the Mayor:

1. Authorize the City Attorney to approve the accompanying disbursement between the City and the California Attorney General's Foreclosure Crisis Recovery Fund and authorize the City Attorney or his designee to execute the grant award on behalf of the City, subject to the approval of the City Attorney as to form and legality;
2. Authorize the City Attorney or his designee to accept the disbursement in the amount of \$75,000 from the California Attorney General's Foreclosure Crisis Recovery Fund to fund the temporary Housing and Mortgage Securities Specialist;
3. Authorize the Controller to:
 - a. Establish a receivable in the amount of \$75,000 in Fund 368, City Attorney Grant Fund;
 - b. Establish the following appropriation account in Fund 368, Department 12:
Account 12H9205, Contractual Services - \$75,000
4. Authorize the City Attorney or his designee to prepare Controller's instructions for any necessary technical adjustments, subject to the approval of the City Administrative Officer, and authorize the Controller to implement the instructions.

12. Fiscal Impact Statement

Yes This Office finds that the Grant complies with City financial policies as follows (see below):

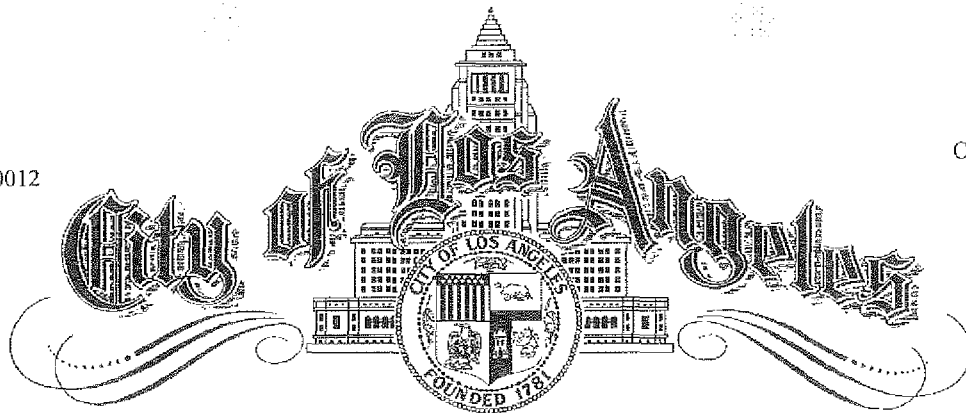
No This Office finds that the Grant does not comply with City financial policies as follows (see below):

There is no General Fund impact. Approval of this request will allow for the disbursement of funds from the California Attorney General's Foreclosure Crisis Recovery Fund. There is no required match for this grant. The recommendations in this report are in compliance with the City's Financial Policies in that one-time revenue will be used to support this one-time expenditure.

 CAO Analyst	 Chief	 CAO/Assistant CAO	5/16/12 Date
--	--	---	-----------------

City Hall East
200 N. Main Street
Room 800
Los Angeles, CA 90012

(213) 978-8100 Tel
(213) 978-8312 Fax
CTrutanich@lacity.org
www.lacity.org/atty



CARMEN A. TRUTANICH
City Attorney

April 9, 2012

The Honorable Antonio Villaraigosa
Mayor of Los Angeles
City Hall
Los Angeles, CA 90012
Attention: Pamela Finley

Honorable City Council
City of Los Angeles
City Hall
Los Angeles, CA 90012
Attention: June Lagmay

**Re: FY 2011-12 Distribution from the California Attorney General Foreclosure
Crisis Recovery Fund**

Contact Persons: Michiko M. Reyes (213) 978-7020
Janette Flintoft (213) 215-5808

The Office of the City Attorney is transmitting for your review and approval a \$75,000 disbursement from the California Attorney General's Foreclosure Crisis Recovery Fund in accordance with the Final Judgment in People of the State of California v. Countrywide Financial Corporation.

Following a competitive application process, the California Attorney General's office awarded \$75,000 to fund a project-based Housing and Mortgage Securities Specialist contracted by the Los Angeles City Attorney's Office for one year to investigate, develop, and assist staff attorneys with unlawful foreclosure cases.

The addition of a project-based, temporary Housing and Mortgage Securities Specialist will have an immediate public benefit by accelerating the rate at which injunctive relief for victimized homeowners, tenants, and neighbors can occur. Legal resolution will result in: 1) compliance with federal, state and local laws related to habitability; 2) the establishment of new policies involving property inventory monitoring, restitution of victims, and reimbursement of the city, and 3) serve to deter future unfair, unlawful and fraudulent activity by other financial institutions.

0130-02019-0000

Honorable Antonio Villaraigosa
Honorable City Council
April 9, 2012
Page Two

IT IS THEREFORE REQUESTED that the City Council and the Mayor:

1. Authorize the City Attorney or his designee to **APPROVE** the accompanying disbursement between the City and the California Attorney General's Foreclosure Crisis Recovery Fund and authorize the City Attorney or his designee to **EXECUTE** said grant award on behalf of the City, subject to the approval of the City Attorney as to form and legality.
2. Authorize the City Attorney or his designee to **ACCEPT** the disbursement in the amount of \$75, 000 from the California Attorney General's Foreclosure Crisis Recovery Fund to fund the temporary Housing and Mortgage Securities Specialist.
3. **AUTHORIZE** the Controller to:
 - a. **ESTABLISH** a receivable in the amount of \$75,000 within Fund 368, Department 12.
 - b. **ESTABLISH** the following appropriation Account Nos. within Fund 368, Department 12 :

Account 12H9205, Contractual Services - \$ 75,000
4. **AUTHORIZE** the Office of the City Attorney to prepare Controller's instructions for any necessary technical adjustments, subject to the approval of the City Administrative Officer.

Thank you for your consideration to this matter.

Sincerely,



William W. Carter
Chief Deputy

City of Los Angeles Grant Award Notification and Acceptance

Recipient Department				
This Grant Award is: <input checked="" type="checkbox"/> New <input type="checkbox"/> Continuation/Renewal <input type="checkbox"/> Supplemental <input type="checkbox"/> Revision <input type="checkbox"/> Sub-Allocation				
Grants Coordinator: Janette Flintoft		E-Mail: janette.flintoft@lacity.org		Phone: 213-215-5808
Project Manager: Tina Hess		E-Mail: tina.hess@lacity.org		Phone: 213-978-8100
Department/Bureau/Agency: City Attorney Civil Division			Date: 04/9/2012	
Grant Information				
Name of Grantor: California Attorney General's Office			Pass Through Agency: n/a	
Grant Program Title: Foreclosure Crisis Recovery Fund			Notification of Award Date: 03/2012	
Funding Source (Public or Private): <input type="checkbox"/> Federal <input checked="" type="checkbox"/> State <input type="checkbox"/> Local <input type="checkbox"/> Foundation <input type="checkbox"/> Corporation <input type="checkbox"/> Other	Grant Type: <input type="checkbox"/> Formula/Block <input checked="" type="checkbox"/> Competitive/Discretionary <input type="checkbox"/> Other	Funds Disbursement: <input checked="" type="checkbox"/> Advance <input type="checkbox"/> Reimbursement	Agency's Grant ID: CFDA # _____ Other ID # CA Atty General _____ eCivis ID# _____	
Match Requirement: <input checked="" type="checkbox"/> None <input type="checkbox"/> Recommended <input type="checkbox"/> Mandatory _____ Amount = _____ % Match				
Match Type: <input type="checkbox"/> Cash <input type="checkbox"/> In-Kind Identify Source of Match: _____				
Fiscal Information:	Awarded Funds \$75,000	Match/In-Kind Funds \$	Additional/Leveraged Funds \$	Total Project Budget \$
Approved Grant Budget Summary:				
Category	Awarded	Match	Additional	Explanation
Personnel				
Salaries				
Fringe Benefits				
Indirect				
Equipment				
Materials/Supplies				
Travel				
Contractual Services	75,000			
Other				
Total:	75,000			
Approved Project				
Descriptive Title of Funded Project: Temporary Housing and Mortgage Securities Specialist				
Performance Period Start/End Dates (Month/Day/Year): Start: 5/1/12 End: 4/30/13		Citywide: <input checked="" type="checkbox"/> Affected Council District(s): All Affected Congressional District(s): All		
Purpose: <input type="checkbox"/> Capital/Infrastructure <input type="checkbox"/> Equipment <input checked="" type="checkbox"/> Program <input type="checkbox"/> Planning/Training <input type="checkbox"/> Pilot/Demonstration				
Identify Internal Partners (City Department/Bureau/Agency): LAPD, LAHA Identify External Partners:				
Summary				
Please provide a project summary including goals, objectives (metrics), specific outcomes, and briefly describe the activities that will be used to achieve these goals. You may attach an additional sheet of paper if necessary.				
This award will fund a project-based Housing and Mortgage Securities Specialist contracted by the Los Angeles City Attorney's Office for one year to investigate, develop, and assist staff attorneys with unlawful foreclosure cases. This specialist will have an immediate public benefit by accelerating the rate at which injunctive relief for victimized homeowners, tenants, and neighbors can occur. Legal resolution will result in 1) compliance with federal, state and local laws related to habitability; 2) the establishment of new policies involving property inventory monitoring, restitution of victims, and reimbursement of the city, and 3) serve to deter future unfair, unlawful and fraudulent activity by other financial institutions.				

City of Los Angeles Grant Award Notification and Acceptance

Fiscal Impact Statement

Please describe how the acceptance of this grant will impact the General Fund. Provide details on any additional funding that may be required to implement the project/program funded by this grant.

None.

Acceptance Packet

The above named Department has received an award for the Grant Program identified above, accepts full responsibility for the coordination and management of all Grant funds awarded to the City, and will adhere to any policies, procedures and compliance requirements set forth by the Grantor and its related agencies or agents, as well as those of the City, and its financial and administrative departments. The following items comprise the Acceptance Packet and are attached for review by the CAO Grants Oversight Unit:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Grant Award Notification and Acceptance | <input type="checkbox"/> Copy of Award Notice |
| <input type="checkbox"/> Grant Project Cost Breakdown (Excel Document) | <input type="checkbox"/> Copy of Grant Agreement (if applicable) |
| <input type="checkbox"/> Detail of Positions and Salary Costs (Excel Document) | <input type="checkbox"/> Additional Documents (if applicable) |

Department Head Name:
Earl Thomas

Department Head Signature:
[Handwritten Signature]

Date:
7/10/12

FOR CAO USE ONLY

The Office of the City Administrative Officer, Grants Oversight Unit has reviewed the information as requested, and has determined that the Acceptance Packet is:

- Complete The Acceptance Packet has been forwarded to appropriate CAO analyst
- Returned to Department (Additional information/documentation has been requested.)
- Flagged (See comments below.)

Comments:

CAO Grants Oversight Unit Signature:

[Handwritten Signature]

Date: 5/9/12

**Grant Award Notification and Acceptance
Grant Project Cost Breakdown**

Attorney General's Foreclosure Crisis Fund					Department:	Los Angeles City Attorney
Grant Project Breakdown		Grant Funds	City Funds	Non-City Funds	Total	Comments
Salaries						
1010 Salaries General					0	
1020 Salaries Grant Reimbursed					0	
1070 Salaries As Needed					0	
1090 Overtime					0	
Salaries Total:		\$ -			0	
Related Costs City Attorney						
	CAP Rate					
Fringe Benefits					0	
Department Administration					0	
Central Services					0	
Related Costs Total:		\$ -	\$ -	\$ -	0	
Expense						
2120 Printing & Binding					0	
2130 Travel					0	
3040 Contractual Services		75,000			75,000	
3310 Transportation					0	
4160 Governmental Meetings					0	
6010 Office Supplies					0	
6020 Operating Supplies					0	
7300 Equipment					0	
Other (Database)					0	
Expenses Total:		\$75,000			75,000	
Grand Total:		\$ 75,000	\$ -	\$ -	\$ 75,000	
*Please use the full Cost Allocation Plan (CAP) rates unless disallowed by the Grantor. CAP rates should be applied to Gross Salaries (including Compensated Time Off.)						

**Grant Award Notification and Acceptance
Grant Project Cost Breakdown**

	<p>**Other sources of funding. Please indicate whether these funds are part of a match requirement and whether they are already provided or new funding is required.</p>	
--	--	--

City Hall East
200 N. Main Street
Room 800
Los Angeles, CA 90012



(213) 978-8100 Tel
(213) 978-8312 Fax
CTrutanich@lacity.org
www.lacity.org/atty

CARMEN A. TRUTANICH
City Attorney

June 1, 2011

Foreclosure Crisis Recovery Fund Committee
Attention: Deputy Attorney General Benjamin Diehl
Office of the California Attorney General
300 S. Spring Street, Suite 1702
Los Angeles, CA 90013

Dear Mr. Diehl,

Attached for your review and consideration, please find four copies of the Los Angeles City Attorney's Application for Distribution from the Foreclosure Crisis Recovery Fund, 2011 Cycle administered by the California Attorney General's Office.

Should you have any questions regarding the foregoing or require additional information, please do not hesitate to contact Deputy City Attorney Janette Flintoft at janette.flintoft@lacity.org or (213) 215-5808.

Thank you for courtesy and cooperation in this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read "W. Carter", is written over a horizontal line.

William W. Carter
Chief Deputy

CONFIDENTIAL LAW ENFORCEMENT
COMMUNICATION

APPLICATION FOR GRANT FROM FORECLOSURE CRISIS RECOVERY FUND
ADMINISTERED BY THE CALIFORNIA ATTORNEY GENERAL'S OFFICE

2011 CYCLE

I. NAME OF APPLICANT/ LEAD AGENCY:	JOINT APPLICANT(s) (if applicable):
<u>Los Angeles City Attorney</u>	
Address: <u>200 N. Main Street, 8th Fl.</u> <u>Los Angeles, CA 90012</u>	
Phone Number: <u>(213) 978-8100</u>	
Fax Number: <u>(213) 978-8787</u>	
E-mail (if available): <u>janette.flinto@tlacity.org</u>	
Contact Person(s): <u>Janette Flintoft</u>	

II. STATUS OF APPLICANT (check and provide information as appropriate)

A. Is the Applicant an "Authorized Agency" as described in paragraph 5(b) of the Stipulated Judgment between Plaintiff the People of the State of California and Defendants David Sambol and Angelo Mozilo ("Judgment"), Case No. LC081846

Yes x

No

If no, the Applicant is not eligible to receive grants from the Foreclosure Crisis Recovery Fund.

If yes, describe the agency's function and responsibilities in a separate document.

**CONFIDENTIAL LAW ENFORCEMENT
COMMUNICATION**

B. Identify the Program Manager who will oversee the proposed project and who will be the contact person for purposes of the grant application. Attach a resume and contact information for the Program Manager.

III. APPLICANT'S PROPOSAL

In a separate document of no more than 5 pages, describe the proposal for which Applicant seeks a grant, including:

- A. The perceived need for the program.
- B. The anticipated public benefit to be served by the grant. If applicable, please explain how the proposed project and any materials developed with the grant may produce benefits extending beyond the specific project for which the grant is sought.
- C. The potential investigation and/or litigation, if applicable.
- D. The identity of any participating non-profit organizations, including the role to be played by each, and an estimate of the portion of the grant that would be used to fund the activities of the non-profit organization(s). Please also provide documentation verifying the non-profit status of each organization. The applicant must also verify that the non-profit is in compliance with all applicable registration and regulatory requirements.
- E. All equipment and materials, including brochures, pamphlets, and audio, video, and electronic materials, that will be prepared, developed, used, purchased, or rented with grant funds in connection with the proposed project. If possible, please provide drafts, detailed descriptions, or copies of materials to be used in the proposed project.
- F. How any materials identified in response to Paragraph E, above, may have use or application outside of the proposed project.
- G. A detailed itemization of all expected costs and expenses related to the proposed project that are expected to be paid from the grant.
- H. If any expenses related to the project are expected to be paid from sources other than grant funds, please identify the source and amount of those funds. This includes a detailed description of goods and services, such as personnel, travel and transportation, and materials to be used in connection with the proposed project that are funded from sources other than a grant from the Fund.

CONFIDENTIAL LAW ENFORCEMENT
COMMUNICATION

- I. A description of how the proposed project relates to the Applicant's other activities, including, for example, whether the proposed project supplements or duplicates other programs.
- J. A description of how the Applicant will ensure that any grant will be used solely for purposes proposed in the application; and
- K. A description of how the Applicant intends to measure the success of the project.

IV. REPRESENTATIONS BY APPLICANT REGARDING ACCEPTANCE OF
CONDITIONS FOR DISBURSEMENT

- A. The undersigned is the responsible person for this application, has been duly authorized by the Applicant to act as its agent in connection with this application, and hereby certifies that the information in this application, including attached documents, is true. The undersigned has read the Judgment governing the Foreclosure Crisis Recovery Fund and understands its terms. The undersigned further represents that the funding requested will not be used to pay for current staff of the Applicant applying for this project (unless the Committee expressly approves otherwise). If a project is accepted, the undersigned further represents that he/she will sign a form(s) that acknowledges that the Applicant's project has been selected for receipt of a grant from the Fund, and that the Applicant will comply with the terms and conditions of the grant.
- B. The Applicant will comply with any order of the Court in connection with the Foreclosure Crisis Recovery Fund and the grant received.
- C. The Applicant will safeguard any grant funds, maintain financial controls sufficient to protect such monies and ensure that the use of grant money is consistent with the recipient's grant application, and provide a detailed written description of those financial controls if requested by the Committee.
- D. The undersigned represents that his/her office is authorized to accept grant funds under applicable state and local laws and that the budget of the office will not be reduced by the receipt of any grant. Any grant shall be used to augment but not supplant the budget of the grant recipient's office or unit.
- E. The Applicant understands that grant funds will only be used for the purposes described in this application, as approved or modified by the Committee.
- F. If the project is for the purpose of investigation or litigation, any costs or attorneys fees the applicant obtains in a civil settlement will be used to reimburse the Foreclosure Crisis Recovery Fund the full amount of the grant awarded, unless the Committee expressly agrees otherwise.

CONFIDENTIAL LAW ENFORCEMENT
COMMUNICATION

- G. In the event the Applicant is the prevailing party after trial, the Applicant will use its best efforts to reimburse the Foreclosure Crisis Recovery Fund in full from any monetary recovery ordered by trial and appellate courts and paid by the defendant(s).
- H. The Applicant will notify the Committee in writing of litigation results, including any settlement, judgment or other resolution, within 30 days of any settlement, judgment or other resolution.
- I. The Applicant will submit a self-evaluation report within six months after receipt of grant funds, and a final report to the Committee within 60 days of completing the project for which the grant was awarded. These reports shall specify how grant funds were used, as well as a description of the progress and/or outcome of the project for which the grant was awarded. All reports submitted to the Committee pursuant to these reporting requirements shall be treated by the Attorney General's Office as confidential law enforcement communications.
- J. The Applicant will notify the Committee in writing of the status of all outstanding litigation or investigations related to this project six months after grant funds are disbursed to the recipient and provide notice annually on the anniversary date of the disbursement.
- K. All correspondence with the Committee shall be directed to Deputy Attorney General Benjamin G. Diehl, Office of the California Attorney General, 300 S. Spring St., Ste. 1702, Los Angeles, CA 90013, phone: (213) 897-5548, fax: (213) 897-4951, e-mail: Benjamin.Diehl@doj.ca.gov.
- L. The Applicant will cooperate with the Committee and its agents in providing all information concerning the use of grant funds as the Committee may reasonably requests and will maintain sufficient records for auditing purposes to substantiate any expenditure. In the event of a multi-agency project, the lead Applicant shall be solely responsible for complying with this paragraph, except as otherwise expressly agreed by the Committee in writing.
- M. The Applicant will comply with all additional requirements the Committee imposes, including but not limited to completing and promptly returning any required form to acknowledge selection as a grant recipient.
- N. Approval of this application does not constitute the Committee's or the California Attorney General's endorsement of this project.
- O. Except as otherwise expressly agreed by the Committee in writing, within 60 days after the conclusion of the investigation, litigation, or training for which the Applicant requested a grant, the Applicant will return any 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."

CONFIDENTIAL LAW ENFORCEMENT
COMMUNICATION

- P. If the project is for the purchase of non-case specific goods or services, the Applicant will return any excess or unused funds to the Committee within 60 days after purchase of those goods or services by check made payable to the California Attorney General's Office, with the notation "Foreclosure Crisis Recovery Fund Reimbursement."
- Q. If an application is for the production of any materials, the Applicant agrees to permit the California Attorney General's Office and other authorized agencies to use those materials, without restriction, for their intended purposes, if the Committee so requests.

Signed: _____

Title: Chief Deputy

Return four copies of the application and attachments to:
Foreclosure Crisis Recovery Fund Committee
Attention: Deputy Attorney General Benjamin Diehl
Office of the California Attorney General
300 S. Spring St., Ste. 1702
Los Angeles, CA 90013

For additional information, please contact:

Deputy Attorney General Benjamin Diehl
Office of the California Attorney General
phone: (213) 897-5548
fax: (213) 897-4951
e-mail: Benjamin.Diehl@doj.ca.gov

**Foreclosure Crisis Recovery Fund - Disbursement Cycle 2011
Los Angeles City Attorney Grant Proposal**

The Los Angeles City Attorney's Office (LACA) respectfully seeks a \$79,000 disbursement from the Foreclosure Crisis Recovery Fund, Disbursement Cycle 2011. This will aid the investigation and prosecution of several multi-national financial institutions for their foreclosure-related violations involving hundreds of properties acquired through foreclosure during the past several years. These violations relate to numerous federal, state and municipal laws regulating housing conditions, nuisance properties and tenancies. Such conduct has caused individual and societal harm, brought crime and destabilization to neighborhoods, created blight, and resulted in an overall deterioration to the quality of life in already troubled communities.

The requested disbursement will fund a project-based Housing and Mortgage Securities Specialist contracted by the LACA for one year to investigate, develop, and assist staff attorneys with the recently filed People v. Deutsche Bank National Trust Company case involving unlawful foreclosure related conduct. Additional duties will entail providing vitally needed assistance with similar pending matters that include five major financial institutions and a host of others acting on their behalf, such as mortgage loan servicers, realtors, property managers, and eviction attorneys.

A. Statement of Need

The LACA has received inordinate case referrals from the Los Angeles Housing Department ("LAHD") and the Los Angeles Department of Building and Safety ("LADBS") regarding the neglect of hundreds of properties in Los Angeles by several multi-national financial institutions who obtained title to these properties through foreclosure ("foreclosed properties") as trustees for trusts composed of mortgage backed securities. The unlawful conditions reported at the foreclosed properties include, by way of example: recurring and prolonged utility service shutoffs, deficient plumbing, hazardous wiring, broken and inoperable windows and doors, deteriorated and hazardous flooring, peeling lead paint, vermin infestation, mold, locked emergency exits, missing smoke detectors, deteriorated foundations, buckling walls and ceilings, illegal occupancy, gang graffiti, and unsecured vacant properties that represent public nuisances and very serious life, safety, and fire hazards.

LAHD has also received numerous complaints of unlawful evictions of tenants brought about by the sending of threatening and harassing letters, the payment of cash for keys, and the filing of baseless unlawful detainer actions as part of aggressive efforts to drive tenants from their homes following a foreclosure.

The majority of the foreclosure related complaints arise from vulnerable, low income areas in the City of Los Angeles, including south Los Angeles and the northeast San Fernando Valley. As a result, vacant nuisance properties have depressed property values in these regions, lead to increased crime rates, and placed an additional burden on already strained City services. Despite aggressive enforcement efforts, these problems persist.

To protect defenseless tenants, fight urban blight, and put an end to unconscionable business practices, the LACA has developed an innovative legal approach seeking injunctive relief to abate and prevent unlawful conditions, obtain restitution for affected tenants, and secure penalties by utilizing causes of action for violations of California unfair competition laws, public nuisance laws, and the Los Angeles Municipal Code. To this end, the LACA recently filed a groundbreaking civil law enforcement action following intensive research and investigation against two Deutsche Bank subsidiaries, Deutsche Bank National Trust Company and Deutsche Bank Trust Company Americas (“Deutsche”). The Complaint cites deplorable conditions at 166 properties to which Deutsche acquired title through foreclosure as trustee for various securitized mortgage loan trusts. (Please see Attachment 1, *Complaint*; Attachment 2, *Los Angeles Times front page article*; and Attachment 3, *Wall Street Journal front page article*.)

While liability exposure in the Deutsche case is in the hundreds of millions of dollars, the resources it consumed during the intensive investigative and research phase overwhelmed staff attorneys in light of a 15% staff reduction from 2008 levels and mandatory furloughs. Temporary, additional resources are vital to ensure the vigorous pursuit/defense of discovery in the Deutsche case (set to commence in Fall, 2011) and will also significantly advance similar matters pending against *five other major financial institutions* whose identities remain confidential at this time.

B. Anticipated Public Benefit

The addition of a project-based, temporary Housing and Mortgage Securities Specialist to assist with the investigation and prosecution of the Deutsche case (and other pending foreclosure related investigations) will have an immediate public benefit by accelerating the rate at which injunctive relief for victimized homeowners, tenants, and neighborhoods can occur. Legal resolution will result in: 1) compliance with federal, state and local laws related to habitability; 2) the establishment of new policies involving property inventory monitoring, restitution to victims, and reimbursement to the City; 3) serve to deter future unfair, unlawful, and fraudulent activity by other financial institutions; and 4) establish an effective model for other jurisdictions to prosecute similar unlawful and harmful conduct within their jurisdiction, both at the state and national level.¹ A temporary Housing and Mortgage Securities Specialist will also likely identify information developed during the Deutsche discovery phase leading to additional new mortgage and foreclosure fraud related cases.

C. Application to Investigation or Potential Litigation Cases

A temporary Housing and Mortgage Securities Specialist will aid with discovery in the Deutsche case by interviewing witnesses and developing statements, drafting/responding to discovery, and preparing expert witness declarations. In addition, this Specialist will investigate, research, and develop the five additional pending cases similar to Deutsche.

¹ Since the filing of the Deutsche case, a number of other jurisdictions have contacted the LACA for advice in investigating and prosecuting similar pending and contemplated actions. The LACA has shared information with, among others, Bay Area Legal Aid and Cleveland Marshall College of Law.

Case development includes obtaining and analyzing documents from the Los Angeles County Recorder's Office (trustee deeds, title information, tax records, substandard notices, and pending and imposed liens); coordinating with and obtaining information from LADBS and LAHD; participating in educational and community outreach efforts; providing training to support staff; and producing educational materials outlining approaches to addressing foreclosure related habitability issues, blight, and tenant rights. The Housing and Mortgage Securities Specialist will also conduct research and coordinate with law enforcement and experts to quantify appropriate restitution to redress the harm suffered by individuals, government agencies and the City of Los Angeles due to the foreclosure related unlawful conduct of the target financial institutions. By fulfilling these critical case development aspects, LACA staff attorneys can aggressively focus their energies on the more complex litigation aspects associated with the Deutsche case and manage the development of the five other similar cases.

D. Participating Non-Profit Organizations

While grant funds will be applied toward a temporary Housing and Mortgage Securities Specialist contracted by the LACA, this individual will interface with local non-profit organizations assisting distressed homeowners, tenants and other city residents and, where appropriate, providing referrals. Such partner organizations include Bet Tzdek, Public Counsel, Western Center on Law and Poverty, National Housing Law Project, and Eviction Defense Network. In addition, local public interest law school groups work with the LACA on mortgage and foreclosure fraud. During summer, 2011, UCLA's School of Law will provide a stipend for a second year law student to perform legal research and draft memoranda related to the Deutsche case as the volume of work exceeds available in house LACA resources.

E. Equipment and Materials

As detailed further below in the "Itemization of Costs and Expenses," the LACA requests equipment related to a high speed printer that prints 50 pages per minute, a wireless router, and a digital camera to support efficient document preparation and production of litigation related documents and exhibits.

F. Application of Materials to Other Projects

In addition to the Deutsche case, the LACA is currently investigating five multi-national financial institutions for unfair, unlawful, and fraudulent business practices as trustees to *over 10,000 properties* acquired through foreclosure. The temporary Housing and Mortgage Securities Specialist will assist with and manage LACA support staff in investigating and researching this large pool of bank-held, foreclosed properties to identify instances where the target financial institutions have engaged in unfair, unlawful and fraudulent business practices. The LACA estimates that the full scope of the problem has yet to be determined due to underreporting by unknowledgeable tenants and homeowners – and that these case development efforts will yield significantly more victimized homeowners and tenants.

G. Detailed Itemization of Costs and Expenses

In the event of grant funding, the LACA will post a job listing on its website and take out an advertisement through the Los Angeles Daily Journal seeking an experienced, full-time Housing and Mortgage Securities Specialist for a one year contract to assist with the continued investigation and litigation of the Deutsche case and with the investigation and prosecution of several other major financial institutions. The Housing and Mortgage Securities Specialist's contract rate will be for \$75,000, to be paid biweekly over the course of 12 months upon the satisfactory completion of duties.

Through grant funding, the LACA will also provide a one year wireless router connection to enable the Housing and Mortgage Securities Specialist access to the LACA computer network both in house and at problem property locations. In addition, to maximize time efficiencies associated with voluminous document reproduction inherent during complex discovery proceedings, the LACA will procure a high performing color printer with double side printing capability at the rate of 50 pages per minute, along with a companion supply of toner for one year. The LACA will also procure a digital camera to save time and stress related to existing protocols that involve checking in/out a camera from the Trial Support Unit. This will also eliminate concerns about whether a camera is available and/or functioning properly.

<i>Temporary Housing and Mortgage Securities Specialist</i>	
12 months x \$75,000	\$75,000.00
<i>Color Printer</i>	
1 x \$1,593.75	\$1,593.75
<i>Toner</i>	
2 cartridges x \$135 each x 12 months	\$270.00
6 cartridges x \$237 each x 12 months	\$1,422.00
<i>Digital Camera</i>	
1 camera x \$200	\$200.00
<i>Wireless Router</i>	
\$50/month x 12 months	\$600.00
<i>Total</i>	<u>\$79,085.75</u>

The amount requested in this application will not supplant the Los Angeles City Attorney's FY 2011-2012 budget. Please see Attachments 4 and 5, Estimates.

H. Description of Goods/ Services Funded by Outside Sources Related to Request

The city of Los Angeles General Fund provides full cost recovery totaling approximately \$400,000 for two full-time Deputy City Attorneys and one full-time law clerk whose duties and responsibilities include investigation and case development of unlawful conduct related to residential mortgage backed securities, mortgage servicing, and foreclosure related habitability issues, blight, and violation of the rights of tenants.

I. Project's Relationship to Other Activities

The proposed proposal to hire a contract Housing and Mortgage Securities Specialist to assist with the Deutsche case for one year will have beneficial crossover application to other foreclosure related issues. Through the Housing and Mortgage Securities Specialist's research, it is anticipated that numerous inconsistencies involving foreclosure documents will be discovered that could potentially form the basis for new cases involving unfair and predatory lending practices, as well as unlawful foreclosures involving the service providers, lenders, financial institutions/corporations, attorneys, realtors, and property management companies that service these properties.

J. Assurance that Grant will be Used for Intended Purposes

Any funds disbursed through the Foreclosure Crisis Recovery Fund will be used exclusively for contract services by a Housing and Mortgage Securities Specialist retained to perform litigation related services addressing unfair, unlawful and fraudulent business practices that negatively impacting tenants' rights and urban blight.

K. Grant Performance and Evaluation

The Housing and Mortgage Securities Specialist will keep detailed daily records describing the hours worked and work performed. These records will be submitted on a bi-weekly basis to the project manager, Deputy City Attorney Julia Figueira-McDonough, and retained for reporting requirements. (Please see Attachment 6, Biography?) Additionally, per the application terms, the LACA will report back to the Foreclosure Crisis Relief Fund Committee with a self-evaluation report within six months after the funds are disbursed and submit a final report within 60 days of completing the project-specific activities for which funding was awarded that details how the LACA applied the funds. The LACA also agrees to notify the Committee in writing within 30 days of resolving project-specific litigation funded through the award.

Conclusion

Increasing capacity and efficiencies to carry out foreclosure related issues involving urban blight and tenants' rights will have a profound impact on the foreclosure crisis recovery in the City of Los Angeles, from which significant public safety and fiscal benefits will flow. Additional resources in this area will serve to expedite resolution for victimized homeowners and tenants and also serve as a model for potential litigation in other jurisdictions both with the State of California and across the nation.