

**Memorandum of Understanding Regarding the Rules and Regulations Governing the  
“Financial Services and Consumer Protection Enforcement,  
Education, and Training Fund”**

THIS MEMORANDUM OF UNDERSTANDING (MOU) is made and entered effective the 31<sup>st</sup> day of October, 2012, between and among the undersigned states constituting the State members of the Monitoring Committee (See Attachment 1) regarding the “Financial Services and Consumer Protection Enforcement, Education, and Training Fund” (hereinafter the “Financial Services Fund” or “Fund”).

**Purpose of MOU**

1. **Consent Decree:** On April 4, 2012, the United States District Court for the District of Columbia entered five substantially similar, but not identical, Consent Judgments against Bank of America, JPMorgan Chase, Wells Fargo, Citi, and Ally / GMAC in a case entitled *United States, et al. v. Bank of America, et al.*, Docket No. 1:12-cv-00361-RMC.
2. **Settlement Fund:** In all five Consent Judgments, Exhibit B directs the distribution of a portion of the settlement funds to the National Association of Attorneys General. Paragraph 2(b) of Exhibit B states:

In accordance with written instructions from the State members of the Monitoring Committee (see Appendix A), the Escrow Agent shall distribute \$15,000,000.00 to the National Association of Attorneys General (NAAG) to create and administer the “Financial Services and Consumer Protection Enforcement, Education, and Training Fund.”

3. **Promulgation of Rules:** In all five Consent Judgments, Exhibit B mandates the promulgation of rules and regulations governing the Fund directed to NAAG. Paragraph 2(b) of Exhibit B states:

The State members of the Monitoring Committee shall develop rules and regulations governing the Financial Services and Consumer Protection Enforcement, Education, and Training Fund in a separate memorandum of understanding after this Consent Judgment has been entered.

Pursuant to the Court’s Orders above, the State members of the Monitoring Committee developed and approved the following rules and regulations governing the Financial Services and Consumer Protection Enforcement, Education, and Training Fund.

# **RULES AND REGULATIONS OF THE FINANCIAL SERVICES AND CONSUMER PROTECTION ENFORCEMENT, EDUCATION, AND TRAINING FUND**

## **Section A** **Fund Purpose**

In all five Consent Judgments, Exhibit B instructs the purpose of and uses for the Fund directed to NAAG. Paragraph 2(b) of Exhibit B states:

Such Fund shall be used to pay for expenses and training relating to the investigation and prosecution of cases involving fraud, unfair and deceptive acts and practices, and other illegal conduct related to financial services or state consumer protection laws. Illustrative examples include, but are not limited to, travel costs associated with investigation, litigation, or settlement of financial services or consumer protection cases; expert witness and consulting fees, training programs, NAAG Consumer Protection Conferences, information exchanges, public education campaigns, and other uses.

## **Section B** **Special Committee**

1. **Special Committee:** A Special Committee consisting of five Attorneys General shall be created to evaluate requests for payment and approve final awards. The members of the Special Committee shall be appointed by the NAAG President and approved by the Executive Committee. The term of each Committee member shall be one year. Members may be re-appointed with no term limits. No more than three (3) members of the Special Committee may be of one political party. The NAAG President should give consideration to regional balance of the members.
2. **Chair:** The members of the Special Committee shall, by majority vote, elect a Chair to serve a one-year term. The Chair may be re-elected. The Chair shall call for meetings, and run meetings and calls of the Special Committee. Fund statements shall be considered public record and the Chair shall transmit annually at the NAAG Summer Meeting, or as requested by a member or members of NAAG at any time, a statement to the membership on the Fund balance and all requests for grants and all deposits to and withdrawals from the Fund in the previous calendar or fiscal year.
2. **Vote:** The affirmative vote of three or more members of the Special Committee shall be required to approve grants equal to or greater than \$5,000. The affirmative vote of two members of the Special Committee, each being members of different political parties, is sufficient to approve grants under \$5,000. In cases of requests to fund litigation, investigation, settlement negotiation, or settlement monitoring-related travel expenses, a blanket request by an Attorney General to cover all travel expenses of participating states may be submitted on a yearly basis and is subject to approval by the affirmative vote of three or more members of the Special Committee. Similarly, a blanket request may be granted to approve a set amount of travel for attendance at a NAAG, NAGTRI, or other

consumer protection conference or training session. The granting or denial of any payment request by the Special Committee shall be final and is not subject to appeal.

3. **Limitation on Corpus:** The special committee is expressly authorized to disburse principal of the corpus and is not limited to disbursing only the income generated by the fund during the previous calendar year.
4. **Manner:** The Special Committee may meet in person or telephonically and may vote via writing, phone, email, fax or other agreed upon electronic media.

### **Section C** **Fund Management**

1. **Deposit:** NAAG shall place the corpus of the Fund in a new and segregated account, separate from all other NAAG accounts, which shall not then or thereafter be comingled with any other funds or accounts. However, nothing herein shall prevent deposits into the account so long as monies so deposited are then lawfully committed for the purpose of the Fund as set forth herein.
2. **Investment:** NAAG shall invest the Fund appropriately in order to generate additional income consistent with an Investment Policy developed and approved by the Special Committee (hereinafter "Special Committee") of the Financial Services and Consumer Protection Enforcement, Education, and Training Fund within 60 days of creation of the Special Committee. The Special Committee shall endeavor to maintain the Fund for as long a term as is consistent with the purpose of the fund.

### **Section D** **Reimbursement**

To the extent permitted by law, each Attorney General whose grant application is favorably acted upon shall promise to pay back to the Fund all of the amounts received from the Fund in the event the state is successful in the litigation for which funds have been appropriated. In the event that the monetary recovery, if any, obtained is not sufficient to pay back the entire amount of the grant, that Attorney General shall pay back as much as is permitted by the recovery. In all instances where monies are granted from the Fund, the Attorney (s) General receiving monies shall provide an accounting to NAAG of all disbursements received from the Fund no later than the 30<sup>th</sup> of June next following such disbursement. Funds requested for the purpose of consumer protection conferences, education, training, travel, and related events are not subject to reimbursement.

**Section E**  
**Conflict of Interest**

When a grant application is made to the fund by an Attorney General who is then a member of the Special Committee, such member shall be temporarily replaced on the Committee for the duration of determination of that grant application. The NAAG President shall name a NAAG member to temporarily serve on the Special Committee for the consideration of that grant application.

**Section F**  
**Fees**

A fee of 1.0% of the total value of the Fund at the close of the NAAG fiscal year shall be paid to NAAG each year out of the Fund to cover all administrative costs and third party fees related to the maintenance of the Fund.


**Section G**  
**Grant Application Protocols**


The Protocols for grant application, as described in Attachment 2, shall be transmitted to all Attorneys General within 30 days of the approval of these Rules and Regulations with a copy of these Rules and Regulations and an explanation of the Fund. NAAG staff shall develop and make available forms that reflect these Protocols. These Protocols may only be amended by an affirmative vote of the NAAG Executive Committee. NAAG staff shall notify the NAAG membership of any amendments promptly.

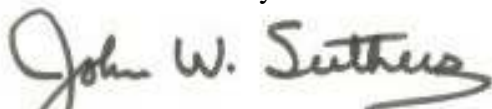
**Section H**  
**Audits**


All accounting related to this Fund shall be subjected to audits conducted as part of the NAAG annual auditing procedures.

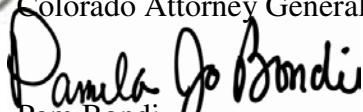
State Members of the Monitoring Committee

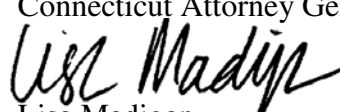
  
Tom Horne  
Arizona Attorney General


  
Kamala Harris  
California Attorney General

  
John W. Suthers  
Colorado Attorney General

  
George Jepsen  
Connecticut Attorney General

  
Pam Bondi  
Florida Attorney General

  
Lisa Madigan  
Illinois Attorney General



Tom Miller  
Iowa Attorney General



Catherine Cortez Masto  
Nevada Attorney General



Mike Dewine  
Ohio Attorney General



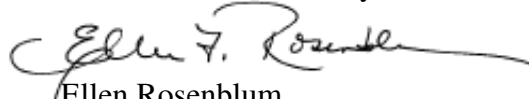
Greg Abbott  
Texas Attorney General



Bill Schuette  
Michigan Attorney General



Roy Cooper  
North Carolina Attorney General



Ellen Rosenblum  
Oregon Attorney General



Rob McKenna  
Washington Attorney General

**Attachment 1**  
**Creation of the Monitoring Committee**

1. Section IV, paragraph 8 of the main body of the Consent Judgments creates the Monitoring Committee. It states:

Within fifteen (15) days of the Effective Date of this Consent Judgment, the participating state and federal agencies shall designate an Administration and Monitoring Committee (the “Monitoring Committee”) as described in the Enforcement Terms. The Monitoring Committee shall serve as the representative of the participating state and federal agencies in the administration of all aspects of this and all similar Consent Judgments and monitoring of compliance with it by Defendant.

2. Exhibit E of each Consent Judgment sets forth the Enforcement terms. Exhibit E, Paragraph B, states in part:

Monitoring Committee. A committee comprising representatives of the state Attorneys General, State Financial Regulators, the U.S. Department of Justice, and the U.S. Department of Housing and Urban Development shall monitor Servicer’s compliance with this Consent Judgment (the “Monitoring Committee”). The Monitoring Committee may substitute representation, as necessary.

3. Pursuant to the authority granted by Section IV, paragraph 8 and Exhibit E, paragraph B of the Consent Judgments, a Monitoring Committee was formed. The State members of the Monitoring Committee are: Arizona, California, Colorado, Connecticut, Florida, Illinois, Iowa, Maryland Office of the Commissioner of Financial Regulation, Michigan, Nevada, North Carolina, Ohio, Oregon, Texas, and Washington.
4. The Co-chairs of the Monitoring Committee are Damon Smith, Senior Counsel to the General Counsel for the U.S. Department of Housing and Urban Development and Patrick Madigan, Iowa Assistant Attorney General.

**Attachment 2**  
**Grant Application Protocols**

Grant applications may be submitted at any time, must be in writing and must be signed by the Attorney(s) General of the submitting state(s) or the Executive Director of NAAG, if the grant application is being submitted by NAAG.

Grant applications must also include:

1. A description of the purposes for which the monies sought will be used.
2. A description of the contemplated/pending action.
3. A statement whether the action is actively or currently being pursued by any other Attorney General or other prosecuting authority.
4. The amount requested.
5. A directive as to how disbursements from the fund should be made, e.g. either directly to a supplier of services (travel agency, consultants, experts, faculty, witnesses etc), to the Attorney General's office directly, or in the case of a multi-state action, to one or more Attorneys General offices designated as a recipient of the monies.
6. A statement that the applicant Attorney(s) General will, to the extent permitted by law, reimburse the fund all, or as much as possible, of the monies received, upon receipt of any monetary recovery obtained in the contemplated/pending litigation related to the appropriation of funds. However, reimbursement is not required for funds used to pay for consumer protection conferences, education, training, and related expenses.
7. A statement acknowledging that all bills and receipts, either from third party vendors, Attorney General personnel, or NAAG personnel, shall be submitted to the NAAG finance department for disbursement within the expected billing cycle, and that all reimbursement or payment requests shall conform to commonly accepted accounting principles.