



STATE OF CALIFORNIA
OFFICE OF THE ATTORNEY GENERAL

KAMALA D. HARRIS
ATTORNEY GENERAL

September 30, 2011

The Honorable Thomas Perrelli
Associate Attorney General of the United States
United States Department of Justice
950 Pennsylvania Avenue NW
Washington, DC 20530-0001

The Honorable Tom Miller
Iowa Attorney General
1305 East Walnut Street
Des Moines, IA 50319

Dear Msrs. Perrelli and Miller:

As you know, for the past 11 months, we have been engaged in national settlement talks with the banking industry concerning unlawful mortgage and foreclosure practices. These practices have impacted millions of families, and no state has been hit harder than my home state of California. I am writing, first, to thank you for your commitment and for your exemplary leadership in these talks. Good progress has been made, particularly with respect to identifying common-sense reforms to mortgage servicing and foreclosure practices.

However, despite your diligence and our good-faith effort to reach reasonable terms with the banking industry, there now exists a proposed settlement that is inadequate for California homeowners. With 2.2 million California homeowners underwater on their mortgages – and a troubling surge in foreclosures in my state over the last two months – I am writing to communicate my decision that my office will now devote its resources to establishing an independent path forward to resolution.

California is hurting. We have the most homes and most home borrowers in default. During the period we have been negotiating, more than 560,000 additional homes in California have fallen into the foreclosure process. When we began this process 11 months ago, five of the ten cities hardest hit nationally by foreclosures were in California. Today, *eight* of those ten hardest-hit cities are here. And, recently, at the same time that we have been negotiating in good faith, foreclosures in California have surged again.

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In our discussions, I have carefully considered every proposal on the table. Last week, I went to Washington, D.C. in hopes of moving our discussions forward. But it became clear to me that California was being asked for a broader release of claims than we can accept and to excuse conduct that has not been adequately investigated. In return for this broad release of claims, the relief contemplated would allow too few California homeowners to stay in their homes.

After much consideration, I have concluded that this is not the deal California homeowners have been waiting for.

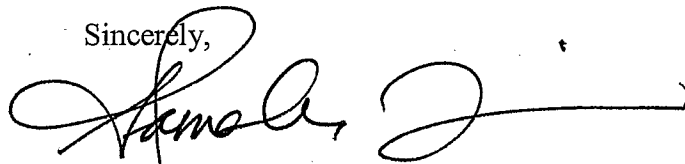
Based on this conclusion, I am taking a different approach. I intend to continue to investigate the mortgage practices that I believe have contributed to the growing housing crisis in my state. Months ago, I began California's independent work in this respect by establishing a Mortgage Fraud Strike Force, and I have given the Strike Force attorneys a broad mandate to investigate all stages of the mortgage lending process, from origination to servicing and foreclosures to securitization of loans into investments in the secondary market. I am committed to doing as thorough an investigation as is needed – and to taking the time that is necessary – to set the stage for achieving appropriate accountability for misconduct.

I will also push for additional legislation and regulations that enhance transparency and eliminate incentives to disregard borrowers' rights in foreclosure. Many of these reforms have been identified in the multistate talks, and I hope that in good faith the banks will adopt those reforms immediately.

This crisis has impacted states and communities across the nation, and, for many Californians, this crisis is worsening. While I can no longer devote critical office resources to these negotiations under these circumstances, I know you share my great hope and belief that we will achieve a fair deal for California and the nation.

Thank you for your attention to this crisis and for your leadership.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kamala D. Harris', with a long horizontal flourish extending to the right.

Kamala D. Harris
Attorney General