Thanks Sarah, we’ll incorporate these edits in the Secretary’s q&a.

- It is completely inaccurate to characterize FHA’s historic settlements with the banks that defrauded borrowers as a shakedown and it is wrong to imply that funds are being diverted away from victims of mortgage fraud. The settlement agreements require that a very small portion of the settlement dollars go towards HUD-approved housing counseling agencies. For example, of the $17 billion involved in the settlement with bank of America, only $20 million is required to be used for housing counseling. Housing counseling agencies are independent nonprofit and government organizations regulated by HUD that educate borrowers and make them more likely to stay current on their mortgages, thereby increasing the strength of the American housing market and the economy as a whole. Independent research shows that counseled borrowers are significantly more likely to avoid foreclosure and retain their home, and they get significantly better terms on their loan modifications. (See for example

- Furthermore, the idea that there is any sort of political consideration related to which housing counseling organizations banks fund is 100% inaccurate. (I am not sure why HUD would make statements about bank motivations for their own decisions. How do we know?) Furthermore, the agreements do not require banks to fund any particular organization. Anyone familiar with the terms of the settlement knows that the banks themselves and not HUD choose which organizations to fund. All that is required is that they work with one or more of the hundreds thousands of 2,300 HUD-approved housing counseling agencies certified by HUD, which include regional/local branches of organizations like Catholic Charities of America, Habitat for Humanity and local government service providers, such as San Antonio’s Department of Human Services. HUD’s oversight of these housing counseling agencies, dating back to 1968, includes robust standards that prohibit violation of election laws, prohibit steering of consumers, and require training and professional expertise by the housing counselors to ensure that the consumer has the tools to overcome barriers to safe and secure housing. HUD has in no way turned what is a great victory for borrowers across this country into an act of political favoritism.
Sarah – can you also confirm that La Raza and NeighborWorks are housing counseling agencies? If they are intermediaries and not housing counseling agencies, they are technically not eligible at all (I know we discussed making this fix, but we have not done it yet).

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Cc: Gerecke, Sarah S  
Subject: Re: FOX following up on House Judiciary Committee-driven story

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A: Mr. Chairman, thank you for that question. First, I would defer to the Department of Justice on the nuances of the legal agreements that you referred to and I’m happy to follow-up with you on the exact terms of those agreements to the degree they involve HUD-funded activities. Clearly, most of these monetary settlements are devoted to consumer relief. Like you, I’m aware that a portion of these settlements require these mortgage lenders and servicers to invest in HUD-approved housing counseling agencies. I can assure you that when we award grant funds to HUD-approved counseling agencies, we do so on the basis of the services they provide on not on any political considerations.

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Cameron French  
U.S Department of Housing and Urban Development  
Phone:202-402-5495  
Cell:(b)(6)

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**Connect with HUD:**

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**Nov 25 2014**

**Goodlatte, Hensarling to Attorney General Holder: Why Does DOJ Require Banks to Donate to Activist Groups?**

**CONTACT:** Lauren Hammond (Goodlatte), (202) 225-3951

**Washington, D.C.** – House Judiciary Committee Chairman Bob Goodlatte (R-Va.) and House Financial Services Chairman Jeb Hensarling (R-Tex.) wrote a letter to Attorney General Eric Holder requesting information about two questionable terms in the Justice Department’s recent mortgage-lending settlement agreements with two major banks.

The Department’s most recent settlements with Bank of America and Citigroup required millions of dollars in minimum donations to activist groups from an approved list, which includes La
Raza and NeighborWorks, which has been described as “fund(ing) a national network of left-wing community organizers operating in the mold of Acorn.”

In addition, as an incentive for donations above the minimum to these groups, settling banks earn two dollars’ worth of credit against their Department-mandated consumer relief commitment for every one dollar donated. As stated in the letter, “[T]hese startling terms in the Justice Department’s two latest settlements make them look less like consumer relief and more like bank ‘shakedowns’ to benefit special interest groups.”

Read more about the unprecedented terms of the Justice Department’s mortgage-lending settlements in the text of the letter to Attorney General Holder below:

Dear Attorney General Holder:

We request information about the Justice Department’s mortgage-lending lawsuits and whether they actually deliver redress to consumers genuinely harmed.

Relief for these consumers is long overdue, yet the Justice Department’s record settlements have left homeowners disappointed. It seems that the alleged victims are not the primary beneficiaries of these multi-billion dollar settlements. Instead, the terms in the Justice Department’s two latest settlements look less like consumer relief and more like a scheme to funnel money to politically favored special interest groups.

First, the settling banks must donate a minimum of $150 million to activist groups like La Raza and NeighborWorks, which funds a national network of community organizers. Second, for each dollar donated above the minimum, banks earn two dollars’ worth of credit against their overall consumer relief commitment. By contrast, direct forms of consumer relief, such as loan modifications, earn only dollar-for-dollar credit. This makes donations to activist groups far more attractive to banks than providing direct relief to injured consumers. As a result, the settlements appear to serve as a vehicle for funding activist groups rather than as a means of securing relief for consumers actually harmed.

On July 14, 2014, the Justice Department announced a $7 billion mortgage-lending settlement with Citigroup that included $2.5 billion in “consumer relief.” In its press release touting the settlement, the Department described the relief as “innovative” and as going beyond the “principal reductions and loan modifications . . . built into previous resolutions.” The details of this relief were contained in Annex 2 of the agreement. Menu item 4F of the annex requires a minimum $10 million in donations to HUD-approved “housing counseling agencies,” which include La Raza and NeighborWorks. Menu items 4D and 4E require an additional minimum $40 million in donations for housing-related organizations, including “legal aid” and community development “non-profits.”

For every dollar donated above the $50 million minimum, Citigroup will earn two dollars’ worth of credit against its $2.5 billion consumer relief commitment. By contrast, for direct forms of consumer relief, like principal forgiveness, the base credit is merely dollar-for-dollar.

Nearly identical terms appear in the Department’s August 21, 2014 settlement with Bank of America (BoA). This settlement, which the Department has described as “historic,” demands a
minimum of $100 million in donations to housing-related organizations, including counseling agencies, “legal aid” organizations and community development “non-profits.” For every dollar donated above the minimum, BoA’s credit against its overall $7 billion consumer relief obligation is two-for-one. Again, the base credit for direct forms of consumer relief is just dollar-for-dollar.

These terms appear unprecedented. The Department’s November 2013 mortgage-lending settlement with J.P. Morgan Chase, for example, included only direct forms of consumer relief. Certain previous agreements, including during the George W. Bush Administration, provided that any funds remaining after all consumer injury had been redressed could go to third-party groups. But that is far different from earmarking mandatory minimum donations to activist groups as central provisions of settlements, and giving banks twice the incentive to funnel settlement funds to third-party groups instead of to harmed consumers.

In light of these concerns, we request that the Department conduct a briefing for the Judiciary and Financial Services Committees as soon as possible on the foregoing settlement terms and ask that you provide the following answers and information before the briefing and no later than December 9, 2014:

1. Identify the individuals who were involved in making the decision to depart from the J.P. Morgan Chase settlement format and add the mandatory donations and two-for-one credit terms to the Citigroup and BoA settlements, and in the subsequent implementation of those settlement terms.

2. Were non-profits that stood to gain involved in any manner in that decision? If so, which ones and to what extent?

3. Were any White House officials involved in the decision? If so, who and to what extent?

4. Did Citigroup or BoA ever receive any formal or informal guidance from the Department or the White House regarding which particular groups should receive donations?

5. Please provide all communications relating to what became the “Community Reinvestment and Neighborhood Stabilization” provisions in the Citigroup and BoA settlements. Please also provide any communications discussing similar terms as part of the J.P. Morgan Chase settlement discussions.

Thank you for your prompt attention to this request.

Sarah – can you also confirm that La Raza and NeighborWorks are housing counseling agencies? If they are intermediaries and not housing counseling agencies, they are technically not eligible at all (I know we discussed making this fix, but we have not done it yet).

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Thank you for your prompt attention to this request.

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There are approximately 2300 HUD approved and participating agencies ie subgrantees. It is rare for Habitat affiliates to have housing counseling offices, better to leave the example at Catholic Charities affiliates. Michelle the settlement permits any agency on the website to be eligible for funds. Intermediaries, HFAs and locals are on the website. I believe both La Raza and NW are eligible under the terms of the settlement although they are intermediaries. I can provide evidence in the am that counseled consumers avoid foreclosure and have significantly better outcomes that those not counseled.

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The Department’s most recent settlements with Bank of America and Citigroup required millions of dollars in minimum donations to activist groups from an approved list, which includes La Raza and NeighborWorks, which has been described as “fund(ing) a national network of left-wing community organizers operating in the mold of Acorn.”

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Read more about the unprecedented terms of the Justice Department’s mortgage-lending settlements in the text of the letter to Attorney General Holder below:

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consumer relief commitment. By contrast, direct forms of consumer relief, such as loan modifications, earn only dollar-for-dollar credit. This makes donations to activist groups far more attractive to banks than providing direct relief to injured consumers. As a result, the settlements appear to serve as a vehicle for funding activist groups rather than as a means of securing relief for consumers actually harmed.

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For every dollar donated above the $50 million minimum, Citigroup will earn two dollars’ worth of credit against its $2.5 billion consumer relief commitment. By contrast, for direct forms of consumer relief, like principal forgiveness, the base credit is merely dollar-for-dollar.

Nearly identical terms appear in the Department’s August 21, 2014 settlement with Bank of America (BoA). This settlement, which the Department has described as “historic,” demands a minimum of $100 million in donations to housing-related organizations, including counseling agencies, “legal aid” organizations and community development “non-profits.” For every dollar donated above the minimum, BoA’s credit against its overall $7 billion consumer relief obligation is two-for-one. Again, the base credit for direct forms of consumer relief is just dollar-for-dollar.

These terms appear unprecedented. The Department’s November 2013 mortgage-lending settlement with J.P. Morgan Chase, for example, included only direct forms of consumer relief. Certain previous agreements, including during the George W. Bush Administration, provided that any funds remaining after all consumer injury had been redressed could go to third-party groups. But that is far different from earmarking mandatory minimum donations to activist groups as central provisions of settlements, and giving banks twice the incentive to funnel settlement funds to third-party groups instead of to harmed consumers.

In light of these concerns, we request that the Department conduct a briefing for the Judiciary and Financial Services Committees as soon as possible on the foregoing settlement terms and ask that you provide the following answers and information before the briefing and no later than December 9, 2014:

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U.S Department of Housing and Urban Development  
Phone: 202-402-5495  
Cell (615)  

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Brian Sullivan  
Office of Public Affairs  
U.S. Department of Housing and Urban Development  
202-402-7527  
Twitter: @SullyatHUD  

Connect with HUD:

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Thank you for your prompt attention to this request.

It may be worth pointing out that the Bank selects with which HUD-approved housing counseling agency or agencies to fund, and the funds must be used for “foreclosure prevention assistance and other housing counseling activities.”

I would not recommend relying on the link to the list of housing counseling intermediaries. The settlement requires the funding go to “HUD-approved housing counseling agencies.” Some believe this includes intermediaries. Some do not. Some want to amend the agreement to include intermediaries. No need to get into that debate.

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From: Press, Jacob D
Sent: Monday, February 09, 2015 4:32 PM
To: Robinson, Tonya T
Cc: Golding, Edward L; Aronowitz, Michelle
Subject: RE: FOX following up on House Judiciary Committee-driven story

Thanks Tanya for putting me in touch with Ed and Michelle. I just spoke with Erika and she mentioned that she spoke with Michelle, so it sounds like the loop has been closed, but if we have any outstanding questions I’ll be sure to reach out.
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Jacob

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Nov 25 2014

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To: Golding, Edward L; Aronowitz, Michelle  
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FYSA

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These terms appear unprecedented. The Department’s November 2013 mortgage-lending settlement with J.P. Morgan Chase, for example, included only direct forms of consumer relief. Certain previous agreements, including during the George W. Bush Administration, provided that any funds remaining after all consumer injury had been redressed could go to third-party groups. But that is far different from earmarking mandatory minimum donations to activist groups as central provisions of settlements, and giving banks twice the incentive to funnel settlement funds to third-party groups instead of to harmed consumers.

In light of these concerns, we request that the Department conduct a briefing for the Judiciary and Financial Services Committees as soon as possible on the foregoing settlement terms and ask that you provide the following answers and information before the briefing and no later than December 9, 2014:

1. Identify the individuals who were involved in making the decision to depart from the J.P. Morgan Chase settlement format and add the mandatory donations and two-for-one credit terms to the Citigroup and BoA settlements, and in the subsequent implementation of those settlement terms.

2. Were non-profits that stood to gain involved in any manner in that decision? If so, which ones and to what extent?

3. Were any White House officials involved in the decision? If so, who and to what extent?

4. Did Citigroup or BoA ever receive any formal or informal guidance from the Department or the White House regarding which particular groups should receive donations?

5. Please provide all communications relating to what became the “Community Reinvestment and Neighborhood Stabilization” provisions in the Citigroup and BoA settlements. Please also provide any communications discussing similar terms as part of the J.P. Morgan Chase settlement discussions.

Thank you for your prompt attention to this request.

Hi Michelle:

If you have a second, would you mind taking a quick look at the q and a's on the settlement below and let me know if they're not consistent with what we discussed and with DOJ's position? Just want to make sure we don’t put the wrong words in the secretary's mouth.

Thanks,

Jacob

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From: Press, Jacob D
Sent: Monday, February 09, 2015 06:29 PM
To: Songvilay, Elizabeth L; McCoy, Dominique M; CIR Liaisons
Subject: RE: FOX following up on House Judiciary Committee-driven story

TPs re: questions about bank settlements.

- It is completely inaccurate to characterize FHA’s historic settlements with the banks that defrauded borrowers as a shakedown and it is wrong to imply that funds are being diverted away from victims of mortgage fraud. The settlement agreements require that a very small portion of the settlement dollars go towards HUD-approved housing counseling agencies. For example, of the $17 billion involved in the settlement with bank of America, only $20 million is required to be used for housing counseling. Housing counseling agencies educate borrowers and make them more likely to stay current on their mortgages, thereby increasing the strength of the American housing market and the economy as a whole.

- Furthermore, the idea that there is any sort of political consideration related to which housing counseling organizations banks fund is 100% inaccurate. Anyone familiar with the terms of the settlement knows that the banks themselves and not HUD choose which organizations to fund. All that is required is that they work with one of the hundreds of counseling agencies certified by HUD, which include regional branches of organizations like Catholic Charities of America, Habitat for Humanity and local government service providers, such as San Antonio’s Department of Human Services. HUD has in no way turned what is a great victory for borrowers across this country into an act of political favoritism.

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From: Songvilay, Elizabeth L
Sent: Monday, February 09, 2015 2:43 PM
To: McCoy, Dominique M; CIR Liaisons
Subject: RE: FOX following up on House Judiciary Committee-driven story

Minor edits and added a bit to the question. Sending it around in case anyone has feedback, and for Tom to include it in with other Qs. Thanks!
Q: Mr. Secretary, last year Chairman Goodlatte of the Judiciary Committee and I sent a letter to Attorney General Holder requesting information about recent settlement agreements with mortgage servicers, including Bank of America and Citigroup. These agreements require banks to effectively fund left-leaning activist groups, like La Raza and Neighborworks. This seems to be more like bank shakedowns than consumer relief, to benefit these special interest groups whose agendas side with the current Administration’s. We’ve seen this before with Acorn. Why are you still doing this?


A: Mr. Chairman, thank you for that question. First, I would defer to the Department of Justice on the nuances of the legal agreements that you referred to and I’m happy to follow-up with you on the exact terms of those agreements to the degree they involve HUD-funded activities. Clearly, most of these monetary settlements are devoted to consumer relief. Like you, I’m aware that a portion of these settlements require these mortgage lenders and servicers to invest in HUD-approved housing counseling agencies. I can assure you that when we award grant funds to HUD-approved counseling agencies, we do so on the basis of the services they provide on not on any political considerations.

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From: McCoy, Dominique M
Sent: Monday, February 09, 2015 1:06 PM
To: CIR Liaisons; Songvilay, Elizabeth L
Subject: FW: FOX following up on House Judiciary Committee-driven story

FYI. I have asked Liz to run point on this question and gave her a draft Q and A that Brian Sullivan and I wrote. If she has any questions, please assist her. Thank you.

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From: French, Cameron R
Sent: Monday, February 09, 2015 11:54 AM
To: Gerecke, Sarah S; Sullivan, Brian E; McCoy, Dominique M; Fulton, Bernard B
Cc: Carr, Terry M; Charles, Genger M; Fluit, Heather L
Subject: RE: FOX following up on House Judiciary Committee-driven story

FYI – DOJ is getting inquiries on this as well.

+Heather for awareness since the requirement comes from settlement funds

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From: Gerecke, Sarah S
Sent: Monday, February 09, 2015 11:38 AM
To: French, Cameron R; Sullivan, Brian E; McCoy, Dominique M; Fulton, Bernard B
Cc: Carr, Terry M; Charles, Genger M
Subject: RE: FOX following up on House Judiciary Committee-driven story

+Terry and Genger.
HUD approved agencies are at www.hud.gov/findacounselor.
A list of HUD-approved intermediaries and HFAs is at:

The National Council of La Raza and NeighborWorks America are both HUD-approved intermediaries. They also receive training grants. They are in good standing in our program. Let me know if you need additional information.
--Sarah

From: French, Cameron R
Sent: Monday, February 09, 2015 11:30 AM
To: Sullivan, Brian E; McCoy, Dominique M; Fulton, Bernard B
Cc: Gerecke, Sarah S
Subject: Re: FOX following up on House Judiciary Committee-driven story

+sarah

Is there a list of all HUD approved counseling agencies?

Cameron French
U.S Department of Housing and Urban Development
Phone:202-402-5495
Cell (202-7527)

From: Sullivan, Brian E
Sent: Monday, February 09, 2015 11:27 AM
To: McCoy, Dominique M; Fulton, Bernard B
Cc: French, Cameron R
Subject: FOX following up on House Judiciary Committee-driven story

Ug...Fox here in DC is calling me to verify that these ‘left-leaning’ counseling organizations are indeed HUD-approved.

Brian Sullivan
Office of Public Affairs
U.S. Department of Housing and Urban Development
202-402-7527
Twitter: @SullyatHUD

Connect with HUD:

From: Weber, Joseph [mailto:Joseph.Weber@FOXNEWS.COM]
Sent: Monday, February 09, 2015 11:12 AM
To: Sullivan, Brian E
Subject: here you go, thx. ... pls let me know you got this so i know you have my correct email. thx again.
Goodlatte, Hensarling to Attorney General Holder: Why Does DOJ Require Banks to Donate to Activist Groups?

CONTACT: Lauren Hammond (Goodlatte), (202) 225-3951

Washington, D.C. – House Judiciary Committee Chairman Bob Goodlatte (R-Va.) and House Financial Services Chairman Jeb Hensarling (R-Tex.) wrote a letter to Attorney General Eric Holder requesting information about two questionable terms in the Justice Department’s recent mortgage-lending settlement agreements with two major banks.

The Department’s most recent settlements with Bank of America and Citigroup required millions of dollars in minimum donations to activist groups from an approved list, which includes La Raza and NeighborWorks, which has been described as “fund(ing) a national network of left-wing community organizers operating in the mold of Acorn.”

In addition, as an incentive for donations above the minimum to these groups, settling banks earn two dollars’ worth of credit against their Department-mandated consumer relief commitment for every one dollar donated. As stated in the letter, “[T]hese startling terms in the Justice Department’s two latest settlements make them look less like consumer relief and more like bank ‘shakedowns’ to benefit special interest groups.”

Read more about the unprecedented terms of the Justice Department’s mortgage-lending settlements in the text of the letter to Attorney General Holder below:

Dear Attorney General Holder:

We request information about the Justice Department’s mortgage-lending lawsuits and whether they actually deliver redress to consumers genuinely harmed.

Relief for these consumers is long overdue, yet the Justice Department’s record settlements have left homeowners disappointed. It seems that the alleged victims are not the primary beneficiaries of these multi-billion dollar settlements. Instead, the terms in the Justice Department’s two latest settlements look less like consumer relief and more like a scheme to funnel money to politically favored special interest groups.
First, the settling banks must donate a minimum of $150 million to activist groups like La Raza and NeighborWorks, which funds a national network of community organizers. Second, for each dollar donated above the minimum, banks earn two dollars’ worth of credit against their overall consumer relief commitment. By contrast, direct forms of consumer relief, such as loan modifications, earn only dollar-for-dollar credit. This makes donations to activist groups far more attractive to banks than providing direct relief to injured consumers. As a result, the settlements appear to serve as a vehicle for funding activist groups rather than as a means of securing relief for consumers actually harmed.

On July 14, 2014, the Justice Department announced a $7 billion mortgage-lending settlement with Citigroup that included $2.5 billion in “consumer relief.” In its press release touting the settlement, the Department described the relief as “innovative” and as going beyond the “principal reductions and loan modifications . . . built into previous resolutions.” The details of this relief were contained in Annex 2 of the agreement. Menu item 4F of the annex requires a minimum $10 million in donations to HUD-approved “housing counseling agencies,” which include La Raza and NeighborWorks. Menu items 4D and 4E require an additional minimum $40 million in donations for housing-related organizations, including “legal aid” and community development “non-profits.”

For every dollar donated above the $50 million minimum, Citigroup will earn two dollars’ worth of credit against its $2.5 billion consumer relief commitment. By contrast, for direct forms of consumer relief, like principal forgiveness, the base credit is merely dollar-for-dollar.

Nearly identical terms appear in the Department’s August 21, 2014 settlement with Bank of America (BoA). This settlement, which the Department has described as “historic,” demands a minimum of $100 million in donations to housing-related organizations, including counseling agencies, “legal aid” organizations and community development “non-profits.” For every dollar donated above the minimum, BoA’s credit against its overall $7 billion consumer relief obligation is two-for-one. Again, the base credit for direct forms of consumer relief is just dollar-for-dollar.

These terms appear unprecedented. The Department’s November 2013 mortgage-lending settlement with J.P. Morgan Chase, for example, included only direct forms of consumer relief. Certain previous agreements, including during the George W. Bush Administration, provided that any funds remaining after all consumer injury had been redressed could go to third-party groups. But that is far different from earmarking mandatory minimum donations to activist groups as central provisions of settlements, and giving banks twice the incentive to funnel settlement funds to third-party groups instead of to harmed consumers.

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5. Please provide all communications relating to what became the “Community Reinvestment and Neighborhood Stabilization” provisions in the Citigroup and BoA settlements. Please also provide any communications discussing similar terms as part of the J.P. Morgan Chase settlement discussions.

Thank you for your prompt attention to this request.