

Mortgage settlement money mostly going to help Alabama General Fund

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By **George Altman -- Montgomery Bureau**

MONTGOMERY, Alabama -- More than three quarters of the money that Alabama is receiving from a national court settlement over alleged foreclosure wrongdoing by banks will, in effect, be used to prop up Alabama's General Fund budget, according to state leaders.

Such use of the money is common nationwide and likely falls within the settlement's rules, but advocates for homeowners have questioned whether it truly helps the people who were hurt by the mortgage practices that spawned the settlement.

Between the current 2012 fiscal year and fiscal year 2015, the state attorney general's office plans to use about \$19.3 million of the state's \$25.3 million share of the settlement to help fund parts of its own law enforcement operations and those of district attorneys in Alabama, officials said.

The chairmen of the House and Senate committees that handle the General Fund budget -- which finances law enforcement, including the attorney general's office, as well as prisons, courts, Medicaid and other non-education functions -- said they plan to reduce the state dollars that would otherwise go to the attorney general in line with the settlement money. That frees up state money for other agencies.

"Without a doubt, the settlement has provided some relief to the General Fund in fiscal year '13 and, it's my expectation, will continue to provide a small amount of relief for the next few fiscal years," said

Sen. Arthur Orr, a Decatur Republican and chairman of the Senate Finance and Taxation General Fund Committee.

Jim Carnes, communications director for Alabama Arise, said he understands the need to find new revenue for state budgets, but he also expressed hope that part of the money could be directly used to benefit people with housing problems, perhaps through a grant program. Ultimately, this is a symptom of a larger problem, he said.

"This is yet another example of the impossible bind that our leaders have left us in, in refusing to seek new revenue for the General Fund," said Carnes, whose group lobbies for the state's poor. "We're forced to use Band-Aids once again, one-time money once again, to patch the holes in the General Fund."

Doled out in increments of a few million dollars per year, the \$19.3 million in settlement money will provide minimal help to a budget pegged at \$1.67 billion for the 2013 fiscal year.

Attorney General Luther Strange, whose office has sole discretion over how most of the money is spent, said he has yet to decide what to do with the remaining money, a little more than \$5.9 million. "Grants and similar programs" are a possibility, he said in a telephone interview.

"We haven't made a determination yet," Strange said. "My plan is to work with the Legislature."

In February, five major banks agreed to a \$2.5 billion settlement with state and federal governments over allegations of improper and fraudulent handling of mortgages, such as "robo-signing" -- employees signing foreclosure paperwork without reading it.

Settlement guidelines, provided by the attorney general's office, allow Alabama to spend its share of the settlement money "to defray the operating cost of any function of the attorney general's office that protects citizens, whether through investigation, representation, regulation, mediation, prosecution" or similar actions.

The settlement also would allow the money to be used for purposes more directly tied to housing, such as housing counseling, foreclosure mediation and housing programs.

Rep. Jim Barton, R-Mobile and chairman of the House Ways and Means General Fund Committee, said he has no problem with Strange spending the bulk of the money in a way that helps the budget.

"In my world, I'll take what I can get on the General Fund side," Barton said.

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