

AGENDA ITEM

III D. MARCH 2016

DATE: February 19, 2016

TO: Members, Board Executive Committee
Members, Board of Trustees

FROM: Lori Meloch, Director, Client Security Fund

SUBJECT: Client Security Fund Working Group Report Follow Up

EXECUTIVE SUMMARY

In July of 2015, the CSF Working Group report was presented to the State Bar Board of Trustee's Planning and Budget Committee. The CSF Working Group Report was the result of work by members of the Board of Trustees, the CSF Commission and State Bar staff to take a comprehensive look at the issues facing the Client Security Fund. The report includes a summary of the Fund and its history and includes a number of charts that give estimates of the time it will take to reimburse the current CSF inventory at various funding levels. CSF currently receives \$40.00 of the annual dues assessment from active attorneys, and \$10.00 from inactive attorneys. The CSF assessment has remained at \$40.00, or less, since 1988. No formal action was taken on the report. The Board requested that the matter be revisited in 2016.

BACKGROUND

The recommendation of the CSF Working Group was to consult with the State Bar's legislative liaison and State Bar management to decide on the appropriate time to approach the legislature for a CSF increase. The recommended increase was for a permanent \$10.00 increase for CSF plus an additional \$15.00 per year for three years. This would result in a total assessment to CSF for active members of \$65.00 for three years, reverting to \$50.00 for active members after the three year period. This would give the Fund more resources to put toward reimbursements each year and help to more quickly pay the large inventory of applications that were filed due to loan modification fraud, while at the same time ensuring that there will be sufficient funds to reimburse the new applications that continue to be filed.

DISCUSSION

In re-visiting the issue of CSF funding the most current statistics are relevant.

The statistics for 2015 show that the number of new applications being filed is reverting to the more historically normal rate of 1,000 to 1,200 applications per year. In 2015 the Fund received 1,178 new applications, which is a decrease from the height of the loan modification "crisis"

years when 2,500 to 3,000 new applications were coming in each year. In January of 2016, CSF received 93 applications, and as of February 17, 2016, the Fund had opened 73 applications in the month of February.

In 2015, the Fund reimbursed \$6 million on 821 applications. The amount budgeted for reimbursements in 2016 is \$6 million. The Fund paid out over \$500,000 in January of 2016, and, based on those applications already in process, CSF will reimburse an additional approximately \$1 million by the end of February 2016. There are currently 5400 open CSF applications.

FISCAL/PERSONNEL IMPACT

None.

RULE AMENDMENTS

None.

BOARD BOOK IMPACT

None.

BOARD COMMITTEE RECOMMENDATIONS

The Board Executive Committee recommends no action at this time.

ATTACHMENT(S) LIST

- A. CSF Working Group Report
- B. CSF Statistical Report – December 2015
- C. CSF New Applications by Area of Law – December 2015
- D. CSF Open Applications by Area of Law – December 2015
- E. CSF Statistical Report – January 2016
- F. CSF New Applications by Area of Law – January 2016
- G. CSF Open Applications by Area of Law – January 2016