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EDITORIALS

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Taking the bankers to court

In a mortgage system ripe for abuse, BofA and Countrywide took full advantage, a suit claims.

A NEW LAWSUIT against Bank of America illuminates the warped incentives that helped inflate the housing bubble and contributed to its calamitous collapse. Filed last week by the U.S. attorney in Manhattan, it focuses on allegations that Countrywide Financial Corp. (which Bank of America bought in 2008) pumped up the volume of loans it issued and then sold to Fannie Mae and Freddie Mac, regardless of their suspect quality.

Manhattan U.S. Atty. Preet Bharara contends that Countrywide and BofA "cast aside underwriters, eliminated quality controls, incentivized unqualified personnel to cut corners and concealed the resulting defects" when they peddled the loans to Fannie and Freddie. The result, the government asserts, was more than $1 billion in losses at those two institutions, whose shortfalls are now covered by the taxpayers. Bank of America hasn't denied the allegations about shoddy underwriting but insists that it has repurchased all the bad loans that Fannie and Freddie have asked it to take back.

Bharara's office has filed similar suits against Wells Fargo and four other banks for allegedly making loans recklessly, then fraudulently claiming guarantees for them from the Federal Housing Administration. The case against Wells Fargo is pending; the other four banks settled earlier this year.

Partisans can argue whether the government pressured banks to make risky loans in order to put homeownership within reach of more Americans. What's inarguable is that the system was ripe for abuse. Banks collected fees for every mortgage they issued, and they minimized their risks by offloading the loans to investors (such as Fannie and Freddie) or obtaining FHA guarantees. Significantly, Fannie, Freddie and the FHA relied on lenders' certifications about the loans' quality; they didn't examine the loans they bought or guaranteed to make sure they complied with their standards unless and until the borrower defaulted.

Rising property values made it less important for lenders to care about the quality of their loans because troubled borrowers could be rescued by refinancing their loans or selling their homes. It was only after prices began to tumble in 2007 that the system started coming apart. Nevertheless, the staggering number of defaults — even of supposedly safe "prime" mortgages — lends credibility to the theory that banks deliberately made loans they knew could not be repaid if the housing market's unsustainable rise came to an end. The scrutiny that the Justice Department is applying to banks' underwriting practices and their effect on Fannie, Freddie and the FHA is welcome. Taxpayers should not be forced to pay for the losses caused by banks' strategic disregard for the quality of their loans.

Submitted by Ruth Sarnoff

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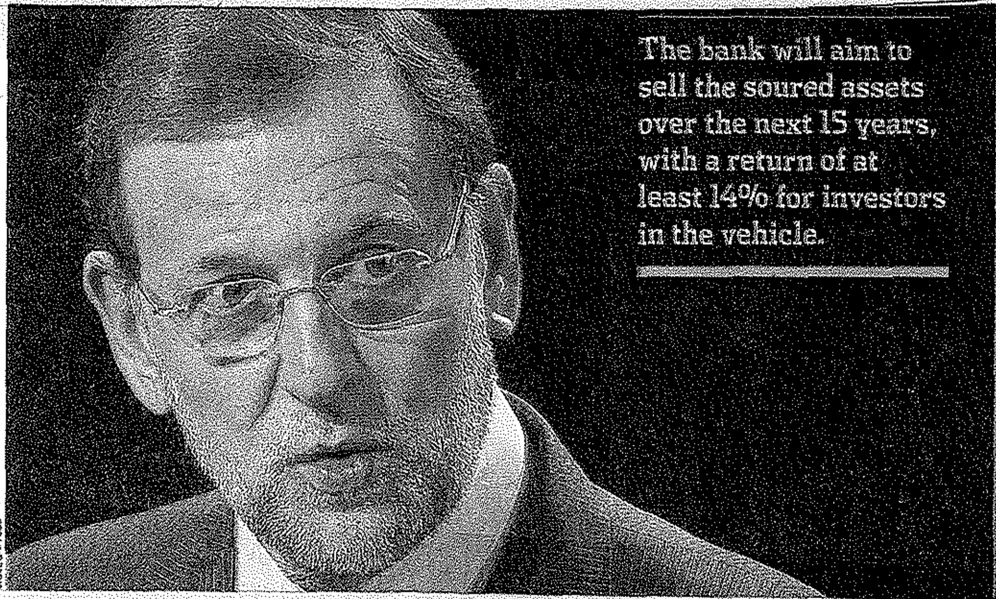
Wall Street Journal

THE WALL STREET JOURNAL.



Spain's Bad Bank to Buy Up Assets

Repository to Acquire Distressed Holdings at Steep Discount

10-30-12

BY DAVID ROMÁN

MADRID—Spain's so-called bad bank will buy billions of euros worth of distressed loans and foreclosed property from commercial lenders for around half the book value, a discount that could weigh on the finances of its weakest banks as the government decides whether to seek assistance from the euro zone's bailout fund.

New details of the government-run asset-management firm's plans were released Monday as Prime Minister Mariano Rajoy insisted again that Spain, the frailest of Europe's large economies, doesn't need a new bailout at the moment.

Spain agreed in June to receive up to €100 billion ($129 billion) in European aid for its troubled banks. The bad bank, known by its Spanish-language acronym SAREB, was set up as a condition of that bailout; all banks that receive European aid will be obligated to transfer assets to the bad bank.

SAREB, which is set to begin operations on Dec. 1, will absorb soured investments that have dragged down the balance sheets of Spanish banks since the collapse of the country's housing market four years ago.

Fernando Restoy, head of Spain's bank-bailout fund, said SAREB will likely purchase about €60 billion of toxic assets using Spanish resources and some of the funds allocated under the bank-bailout agreement.

It will apply an average 63% discount on land and housing units and an average 46% discount on real-estate loans, he said, and will aim to sell the assets to investors over the next 15 years, with a return on investment of at least 14% for any investors in the bad bank.

The assets will be transferred at a price low enough, he said, to attract outside investors to the country's depressed real-estate sector to become shareholders in the bad bank, but not so low as to cause bigger losses for the banks selling the assets.

"SAREB is looking to manage these problematic assets effectively and conservatively," Mr. Restoy said at a news conference. "This must be a profitable company, so the use of public funds is minimized."

Independent analysts warn, however, that the bad bank may face a lack of appetite for Spanish assets at a time when the country's economy is deep in a recession, which the government expects to last well into next year, while house prices are falling at an annual rate of around 10%. In addition, analysts say SAREB's operations may be complicated by the sheer variety of assets it will handle.

Juan José Toribio, an economics professor at Spain's IESE business school, said the arrangement may force the government to rely heavily on borrowing to secure funds needed to purchase the toxic assets, raising pressure on Mr. Rajoy to seek a credit line from the EU bailout fund. Doing so, and submitting to international oversight of Spain's economic policies, would enable the European Central Bank to intervene in bond markets to lower the government's borrowing costs.

"There are many other reasons why the government should request EU aid. This just reinforces the case for doing it quickly," Mr. Toribio said.

Speaking Monday after a meeting in Madrid with Italian Prime Minister Mario Monti, Mr. Rajoy said he would seek a rescue for the government "when I think it would be good for the interests of Spain"—but not now.

Mr. Monti said Italy doesn't need a bailout, either, but he hinted that Spain or Italy should ask for one sooner or later. It is important that the tool "can be activated and [is] not just theoretical," Mr. Monti said.

Spain's bad bank will share some of the features—and challenges—of other asset-management firms set up by countries dealing with property busts in recent years, such as the U.S. Troubled Asset Relief Program and Ireland's National Asset Management Agency.

While the U.S. program has been a relative success, Ireland's NAMA has found it tougher to unload its own assets in the midst of a continued drop in house prices. The agency, set up in early 2010, has attracted few external investors, including a unit of the U.K. investment firm Partners of Walbrook Capital that acquired a 17% stake in NAMA's holding company earlier this month. When it was launched in 2010, Ireland's NAMA paid about €32 billion to buy out €74 billion in loans from five stricken lenders. That's an average discount of around 57%.

The EU bailout offers Spain aid worth up to €100 billion, but only a small portion of this would go into the bad bank, with the rest used to recapitalize many of the country's banks.

—Jonathan House and Eamon Quinn contributed to this article.

CHANGE THE CONVERSATION

BEFORE YOU BLAME THE HOMEOWNER... LOOK AT THE BANKS' FRAUD

"People bought too much home."

"Banks over-appraised homes and gutted under-writing rules so they could write big, high-rate loans that made the banks the most money on Wall St."

"These people are dead-beats and freeloaders."

"Banks told families they had to stop paying their mortgage to qualify for a loan modification. Banks pretend to do loan mods — after a default, banks get insurance money and they start to foreclose behind the families' backs."

"People should know what they sign."

"Banks used pressure tactics to get docs signed fast. Banks changed documents after they'd been signed — they even used white-out and tore out key pages such as a co-signer."

"People need to take personal responsibility for their finances."

"Banks need to take personal responsibility for their system-wide felony fraud."

"Banks need to compensate families for the millions of homes they've stolen."

"Homeowners just want a free house."

"Banks want millions of free houses so they can resell them and restart their casino."

"Banks need the houses back to clear the fraud on their books and redo lost paperwork."

"Homeowners used their house as an ATM."

"Banks used the American people's homes as their trillion dollar ATM."

Join us! We need your help!

OccupyFightsForeclosures.org

OccupyFightsForeclosures@gmail.com

CALL FOR A MORATORIUM NOW!

HR 4848

CONTACT YOUR REPRESENTATIVES

OCCUPY FIGHTS FORECLOSURES
FRAUDCLOSURE 101 GUIDE INSIDE

SERIOUSLY, DID YOU REALLY THINK THE AMERICAN PEOPLE WERE GOING TO LET

BANKS GET AWAY WITH THIS?*

* 99% OF FORECLOSURES WERE QUESTIONABLE, 84% HAD CLEAR VIOLATIONS OF LAW, AND OVER 66% HAD FOUR OR MORE VIOLATIONS IN A RECENT AUDIT BY THE SAN FRANCISCO COUNTY ASSESSOR-RECORDER'S OFFICE — YET BANK OF AMERICA IS RAMPING UP TO FORECLOSE

FRAUDCLOSURE 101: A BRIEF TIMELINE OF MORTGAGE AND FORECLOSURE FRAUD*

How banks used fraud as a business model to guarantee record profits and steal a nation's worth of homes

Submitted by Ruth Sarnoff
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beginning fraud

PREDATORY LENDING FRAUD:
Banks targeted homes and borrowers who would fit the types of high-rate loans banks needed for their scheme to work. Every communty was hit, but communities of color were hit especially hard

APPRAISAL FRAUD:
Banks leaned on appraisers to hike up appraisals so a home that was really worth $100,000 was soon appraised for $200,000. Banks kept blacklists of appraisers who refused to go along

TRUTH-IN-LENDING FRAUD:
Banks purposely pushed bad, high-rate loans even when borrowers qualified for better loans

ORIGINATION FRAUD:
Banks wrote up false financial statements for borrowers to meet the loan profiles needed for the scheme. Lenders (not borrowers) put the "lie" in liars loans

GOTTA-SIGN-NOW FRAUD:
Banks used high-pressure tactics to push borrowers to sign immediately, before borrowers could read or check documents

LOSE-THE-DOCS FRAUD:
Banks lost or shredded legal documents, so there wouldn't be evidence to prove fraud later

MONEY-OUT-OF-THIN-AIR SCAM:
Banks don't have the money to loan to begin with. The money is created out of thin air once the loan is made

middle fraud

WALL STREET GAMBLING SCAM:
Banks immediately sold mortage notes to Wall St, who used them to create Mortgage Backed Securities (MBS) -- Wall St used these essentially as casino chips to trade, sell and bet with other people's money. They kept profits when they won, and got bailout and insurance money when they lost

RATINGS FRAUD:
Banks got ratings agencies to give AAA, investment-grade ratings to MBS and other financial products filled with toxic loans

RECORDING FRAUD:
Banks created MERS (Mortgage Electronic Registration System) to evade laws that require all sales to be publicly recorded, and to cheat communities out of millions in fees

CHAIN-OF-TITLE FRAUD:
With MERS, banks threw out 400 years of property law and broke the chain of title on millions of properties — ALL neighboring properties will now need to litigate to decide property boundaries if there's ever a dispute

SECURITIES FRAUD:
Banks knew the securities they were selling were toxic, but lied so they could unload toxic securities onto pension plans (Goldman Sachs called unsuspecting clients "muppets")

INSURANCE FRAUD:
The financial industry created unregulated insurance called credit default swaps (CDS) to "insure" the bad financial products they were buying and selling

DERIVATIVES SCAM:
Banks used derivatives — also unregulated — to bet against the bad financial products they'd just sold to pension plans. They bet that products they'd just sold would fail, knowing that they would.

end fraud

DUAL-TRACKING FRAUD:
Banks tell homeowners to default to qualify for a loan modification, but use that default to start foreclosure

LOST-PAPERWORK FRAUD:
Banks repeatedly "lose" loan mod paperwork to delay homeowner until banks get insurance payout for default

PILE-ON-FEES FRAUD:
Banks add extra fees onto mortgage payments that homeowners can't pay to keep foreclosure continuing

FAKE-DOCUMENTS FRAUD:
Banks hire "document mills" to fabricate completely fake loan documents so foreclosures appear legal

ROBO-SIGNING FRAUD:
Banks robo-signed fraudulent documents, creating sweatshop-style signing factories

MAIL FRAUD:
Banks backdate documents, eliminate dates on mail stamps, and falsify serving of legal paperwork

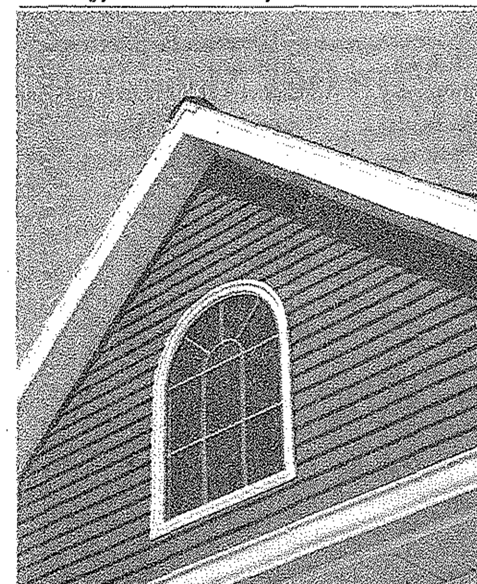
AUCTION FRAUD:
Banks "sell" properties at auction whose chain of title is broken and that banks have no legal claim to

SELL-TO-THEMSELVES FRAUD:
Banks sell properties to themselves — a scam called self assignment

TITLE FRAUD:
Title insurance companies have been giving title insurance to properties whose chain of title is broken

CASH-FOR-KEYS SCAM:
Banks intimidate homeowners, ignore due process, time evictions over holidays and offer bribes just to give up

COURT FRAUD:
Courts regularly dismiss fraud cases, attorneys refuse to take cases or pressure families to leave their home



Was your home in the FORECLOSURE PROCESS in 2009-2010, and was your mortgage loan serviced by one of the companies listed here?

- America's Servicing Co.
- Aurora Loan Services
- BAC Home Loans Servicing
- Bank of America
- Beneficial
- Chase
- Citibank
- CitiFinancial
- CitiMortgage
- Countrywide
- EMC
- EverBank/EverHome Mortgage Company
- Financial Freedom
- GMAC Mortgage
- HFC
- HSBC
- IndyMac Mortgage Services
- MetLife Bank
- National City Mortgage
- PNC Mortgage
- Sovereign Bank
- SunTrust Mortgage
- U.S. Bank
- Wachovia Mortgage
- Washington Mutual (WaMu)
- Wells Fargo Bank, N.A.
- Wilshire Credit Corporation

If you believe foreclosure errors cost you money, you can request a free review of your review and waive no rights by accepting compensation.

IF AN ERROR IS FOUND, YOU COULD RECEIVE A PAYMENT OR OTHER COMPENSATION THAT MAY INCLUDE REFUNDED FEES, STOPPING OF A FORECLOSURE OR PAYMENTS UP TO $125,000 PLUS EQUITY.*

Visit IndependentForeclosureReview.com or call 1-888-952-9105 to request a review today. You must submit a Request for Review Form no later than December 31, 2012.

Don't pay for help to request a review. Federal bank regulators—the Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency, a bureau of the U.S. Department of the Treasury—are directing and monitoring the review process.

For more information, go to the government websites: occ.gov/independentforeclosurereview or federalreserve.gov/consumerinfo/independent-foreclosure-review.htm

If you need free help to complete the Request for Review Form, contact a HUD-approved nonprofit organization that helps homeowners in distress. Information about HUD-approved nonprofit organizations that can provide free assistance is available at makinghomeaffordable.gov/get-started/housing-expert or by calling 1-855-778-0855.

Si usted habla español, tenemos representantes que pueden asistirle en su idioma para darle información sobre la Revisión Independiente de Ejecución Hipotecaria.

Assistance is also available in over 200 languages, including: Chinese, Korean, Vietnamese, Tagalog, Hmong and Russian.

提供中文幫助。
Trợ giúp hiện có bằng tiếng Việt.
한국어 도움을 제공합니다.
Peb muaj cov neeg hais lus Hmoob pab nej.
Помощь на русском языке.
Available ang tulong sa wikang Tagalog.

* Any payments made to you if errors in your foreclosure are found may be reported to the IRS and may have tax implications. Consult a tax advisor to discuss those implications.

An important message directed by the Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency

INDEPENDENT FORECLOSURE REVIEW