How Mortgage Fraud Helped Facilitate The 2008 Housing Crisis

Darlene B. Freeman
La Salle University, freemand1@student.lasalle.edu

Follow this and additional works at: http://digitalcommons.lasalle.edu/ecf_capstones
Part of the Business Law, Public Responsibility, and Ethics Commons, and the Real Estate Commons

Recommended Citation
http://digitalcommons.lasalle.edu/ecf_capstones/13

This Thesis is brought to you for free and open access by the Economic Crime Forensics Program at La Salle University Digital Commons. It has been accepted for inclusion in Economic Crime Forensics Capstones by an authorized administrator of La Salle University Digital Commons. For more information, please contact careyc@lasalle.edu.
How Mortgage Fraud Helped Facilitate

The 2008 Housing Crisis

Capstone Project - ECF 880

Prepared by:
Darlene B. Freeman
7/28/2016
Table of Contents

I. EXECUTIVE SUMMARY ................................................................. 3
II. BACKGROUND ........................................................................... 4
III. THE EARLY HOUSING MARKET .............................................. 5
IV. THE DECLINE ............................................................................ 7
V. PRIMARY CAUSES OF THE DECLINE ....................................... 8
   A. Sub-Prime Mortgages ............................................................. 8
   B. Mortgage-Backed Securities .................................................. 12
   C. Bond Rating Agencies ........................................................... 14
   D. Forged Foreclosure and Loan Documents ............................. 16
   E. Unethical Professionals ......................................................... 20
   F. Greed ................................................................................... 22
VI. THE HUMAN TOLL ................................................................... 22
   A. Financial Impact ................................................................. 23
   B. Case #1 – Lisa Epstein .......................................................... 25
   C. Psychological Impact ............................................................ 27
   D. Case #2 – Raymond and Deanna Donaca ......................... 29
VII. THE CRIMINAL COMPONENT ................................................ 30
   A. Is this Really Fraud? ............................................................. 31
   B. Characteristics of The Fraudsters ........................................... 32
   C. Characteristics of The Victims .............................................. 35
VIII. EXPOSING THE TRUTH ........................................................ 37
   A. The Investigation ................................................................. 39
IX. WHISTLEBLOWERS ................................................................. 42
X. ALLEGATIONS .......................................................................... 43
   A. Governing Authorities .......................................................... 43
   B. Prevailing Statues ............................................................... 44
   C. Obstacles to Prosecutions .................................................... 45
XI. LEGISLATION ........................................................................... 47
   A. Dodd-Frank .......................................................................... 47
   B. CFPB .................................................................................... 49
   C. Real Estate Settlement Procedures Act (“RESPA”) ............. 50
XII. LIGHT AT THE END OF THE TUNNEL ................................................................. 50
   A. Housing’s Improving Numbers ................................................................. 50
   B. Loan Modification Programs ................................................................. 51
XIII. BUYER BEWARE ......................................................................................... 52
   A. Mortgage Rescue Scams ........................................................................... 52
   B. Credit Repair Scams .............................................................................. 53
XIV. CONCLUSION ............................................................................................... 54
XV. REFERENCES .................................................................................................. 56
I. Executive Summary

There has been much debate about what caused the housing meltdown that occurred from 2008 through 2010. One aspect that has not been debated; mortgage fraud was at the center of this historically difficult time in our nation’s history, and played a major role in causing millions of homes to go into foreclosure.

For this Capstone Project, I will analyze the devastation mortgage fraud caused in the lives of people that were displaced from their homes, workers that lost their jobs and the continued devastation that still remains due to a shrinking housing market.

I will also examine the lasting financial and physiological effects that foreclosure brings especially when an unsuspecting homeowner has been the victim of mortgage fraud. In addition, I will explore the warning signs that were missed by the government and analysts, and determine if additional measures should have or could have been taken to mitigate the damage to the economy, and explore whether a crisis of this magnitude could ever happen again. Finally, I will look at families that were hit hardest due to these foreclosures and examine the long lasting effects as they try to find stability and rebuild their lives after they weathered such a tumultuous and tragic ordeal.

The U.S. housing market has always been perceived as the backbone of the U.S. economy and when the housing industry thrives, so does many other industries that are directly tied to the housing market such as real estate agents, consumer lender’s and construction workers, to name a few. That’s why the housing crisis of 2008 has had such long lasting and far reaching effects on the economy and devastated and displaced so many families that are only now, some eight years later, finally beginning to rebuild their lives.

Mortgage Fraud is a broad topic; therefore, I will narrow my focus to include the following areas:
• Sub-Prime Mortgages
• Mortgage Backed Securities
• Rating Agency Manipulation
• Forged Foreclosure Documents
• Unethical Professionals
• Greed

I will also analyze the key factors that make the mortgage industry more prone to fraud and analyze whether mortgage fraud rates have decreased since new consumer protections were implemented by the Consumer Fraud Protection Bureau as part of legislation created by Dodd-Frank.

II. BACKGROUND

Since the crash of the housing market is a complex issue that has many causes and effects, the approach I’ve decided to take is to lay out my analysis as if it were a theatrical performance. Based on my research; the collapse has all the makings of a literary work of art. It has foreshadowing of the impending bubble, there is a love story with wealth and greed, and ultimately it has a tragic ending leaving homeowners and the American taxpayer holding the bag.

To highlight this theatrical similarity, I’ve broken this report into the following five sections:

Act I  Living the Dream
Act II  Warning Signs
Act III  Winners & Losers
Act IV  Consequences
Act V  Aftermath & Recovery

I wish I could say this is a fictional work with fictional characters; however, everything described below is 100% accurate as described by victims, company insiders and court documents. As with any Shakespearean literary work, there were certainly warning signs that should have and could have averted the disaster that was to come.
To gain a better understanding of the events that led to the housing crisis, I’ve constructed a timeline of important milestones in Table 1 below.

### Table 1 – Timeline of Events Leading to the Housing Crisis

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>Lewis Ranieri, an employee of Solomon Brothers, invents the first mortgage-backed securities.¹</td>
</tr>
<tr>
<td>1999</td>
<td>President Clinton signs Financial Services Deregulation into law.²</td>
</tr>
<tr>
<td>2000</td>
<td>Stock Market Crash shifted investment away from the stock market to the housing market.³</td>
</tr>
<tr>
<td>2003</td>
<td>Sub-Prime mortgages began to drastically increase.</td>
</tr>
<tr>
<td>2007</td>
<td>Credit markets tightened and financing became unavailable.</td>
</tr>
<tr>
<td>2007</td>
<td>Several, sub-prime lenders filed for bankruptcy.</td>
</tr>
<tr>
<td>2008</td>
<td>U.S. Foreclosures hit 3 million homes.</td>
</tr>
</tbody>
</table>

### ACT I - LIVING THE DREAM

#### III. THE EARLY HOUSING MARKET

The “American Dream” is a label used to describe the aspirations of the common man. It’s used as a measuring stick to indicate how well someone fairs when compared to everyone else in society, and tells the world; I’ve made it. This dream usually consists of a figurative house with a white picket fence, a good job that allows you to educate your children and enjoy some of the finer things life has to offer.

---


The housing boom began in this country when soldiers returned home from serving in World War II. The new GI Bill, officially known as The Servicemen’s Readjustment Act of 1944, offered financial incentives that allowed soldiers and their families to get low interest mortgages to purchase a new home. This led to a construction industry that was booming as they tried to keep up with the demand for new homes. For the first time in America, people wanted to move away from major cities and opted instead for the serenity of planned communities in less populated areas; this migration was the birth of suburbia.

Builders saw an opportunity and began explore the concept of planned communities. These developments were havens of safe self-contained country living. Two of the first suburban communities were built in Levittown New York and Levittown Pennsylvania by builder Abraham Levitt in the 1950’s to accommodate returning soldiers. Many believed Mr. Levitt was a visionary; a man ahead of his time. He knew there was a housing shortage in this country and he took full advantage of it. The fact that both Levittowns are still thriving communities, is a testament to Mr. Levitt’s vision. One of the most appealing aspects of the Levitt homes was their affordability. As one new homeowner said “Imagine it-$10 deposit, $90 at settlement, and you have a house of your own”.

Soon, similar communities popped up all over America, in essence changing the way we live. In addition to thousands of new homes, new industries such as title companies, appraisal companies and mortgage brokers began to emerge to support the real estate industry. These industries thrived and would play an integral role in the mortgage crisis by participating in at best, unethical practices and at worst, outright fraud.

---

The failure of the Savings and Loan industry in the 1980’s and 90’s actually helped to fuel the rise in foreclosures. These organizations were tied to the community and had a vested interest in making sure local homeowners stayed in their homes. This effort was so successful that from 1950 to 1997 the foreclosure rate in the U.S. never rose above 1 percent\(^6\).

### ACT II – WARNING SIGNS

#### IV. THE DECLINE

The implosion of the housing market certainly did not happen without warning signs. The warning signs showed the market was on the decline back in 2006. As we see in Table 2 below, the collapse of the housing market did not happen all at once. Instead, there was a steady increase in foreclosures that began in 2006, leveled off in 2008, and hit an all-time high in 2010. In addition, players in the mortgage industry had already begun to have financial trouble with companies such as Ameriquest Mortgage and New Century Mortgage closing their doors for good\(^7\).

Some leading and reputable economist such as Nouriel Roubini warned of what would happen as far back as 2006, however congress and influential financial leaders did not believe their predictions, and The New York Times even labeled Roubini “Mr. Doom”\(^8\). Well, we all know now that he and others were correct in their foreshadowing of what was to come. I’m sure that much of the denial and discrediting of Mr. Roubini was done out of fear and because people were sailing into unchartered territory.

---

\(^6\) Chain of Title, Dayen, 2016, Page 20.  
\(^7\) Chain of Title, Dayen, 2016, Pages 6-7.  
Table 2 – U.S. Foreclosures 2006-2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Foreclosures ( Rounded to the nearest thousand)</th>
<th>Amount Increase/Decrease</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>717,500</td>
<td>_</td>
<td>_</td>
</tr>
<tr>
<td>2007</td>
<td>1,285,900</td>
<td>568,400</td>
<td>79.2%</td>
</tr>
<tr>
<td>2008</td>
<td>2,330,500</td>
<td>1,044,600</td>
<td>81.2%</td>
</tr>
<tr>
<td>2009</td>
<td>2,824,700</td>
<td>494,200</td>
<td>21.2%</td>
</tr>
<tr>
<td>2010</td>
<td>2,871,900</td>
<td>47,200</td>
<td>1.7%</td>
</tr>
<tr>
<td>2011</td>
<td>1,887,800</td>
<td>-984,100</td>
<td>-34.3%</td>
</tr>
<tr>
<td>2012</td>
<td>1,836,600</td>
<td>-51,200</td>
<td>-2.7%</td>
</tr>
<tr>
<td>2013</td>
<td>1,361,800</td>
<td>-474,800</td>
<td>-25.9%</td>
</tr>
</tbody>
</table>

V. PRIMARY CAUSES OF THE DECLINE

In my opinion, there were several causes of this steady increase in foreclosures, but the causes which I deem as most significant are listed below in order of significance.

A. Sub-Prime Mortgages

The Fair Debt Collection Act (“FDCA”), established in 1977, brought more diversity among borrowers coming into the housing market. However, as we soon learned from the thousands of homeowners that would find themselves in foreclosure, not all borrowers are created equally.

When President Clinton signed Financial Services Deregulation into law in 1999, the goal was to make homes more affordable by offering reduced interest rates and other incentives that would allow people with lower credit scores and lower down payments to enter the housing market.

9 Foreclosures at 5 year Low in 2013, but Some States Still Increasing, Jann Swanson, obtained from in June 2016 from http://www.mortgagenewsdaily.com/01152014_realtytrac_foreclosures.asp.
market. This, in and of itself, was a good thing that could boost the economy as these new homeowners purchased all the necessities that accompanied the purchase of a new home. The problem was however, that just as the number of these sub-prime mortgages began to increase, housing prices in this country began to fall.

The influx of sub-prime mortgages into the housing market put a stress on the previously healthy market. As the name suggests, sub-prime mortgages are mortgages for borrowers that did not meet the high qualification standards of traditional mortgages. These borrowers may have blemishes on their credit report resulting in a lower credit score, or perhaps had an inconsistent job history, smaller down payments or accumulated assets. Tradition mortgage lenders and banks usually have strict pre-determined criteria applicants must meet in order to qualify for a mortgage and to be considered a “safe” risk. These qualifications normally include credit history and score, current income, asset to liability ratio and job history. The lender’s underwriter scrutinizes every financial detail in the applicant’s life to ensure they were making a sound financial decision for their organization, before writing a check to a homeowner for thousands of dollars. Unfortunately, as more and more money was available to lenders, their lending standards relaxed and they began to push through loans they previously would have denied in order to make more money. After all, they knew it was very likely these loans would soon be sold to another institution and bundled into a mortgage-backed security as described in the next section. Lending standards had relaxed to the point that lenders were approving loans without income verification.

These loans became known as “No Doc” or “Liar” loans and were available to anyone with a steady job, but may be cash-strapped due to divorce or other negative financial circumstances. Traditionally, tax returns or W-2’s would be provided so lenders could verify the validity of the information applicants provided in their application. These loans, however, did not have such
requirements and sub-prime lenders were happy to accommodate these borrowers. One prominent subprime lender was quoted as saying “if you can fog up a mirror, you can get a mortgage”.\textsuperscript{10}

There is now evidence that government sponsored agencies such as Fannie Mae and Freddie Mac were also involved in looking the other way and allowing these “bad” loans to overrun the system. At the time no one really knew exactly how many of these loans existed, and quite frankly, most corporate executives downplayed the numbers significantly. After all, they didn’t want to make Wall Street investors nervous about the stability of the housing market. Unfortunately, by the time the true numbers were exposed, the impact was already devastating and widespread. Former Chief Credit Officer at Fannie Mae, in 2010 Edward Pinto admitted that of the 55 million total loans, he found an estimated $25 to $27 million to be sub-prime mortgages\textsuperscript{11}. That’s an unbelievable 45% to 49%, or about half of all loans.

The question becomes, why would banks offer sub-prime mortgages and run the risk that borrowers could default on these loans? The answer is undoubtedly the large amount of profit they could make from offering these loans. For example, in 2006, the average interest rate for a 30-year fixed-rate mortgage was 6.71%,\textsuperscript{12} whereas the interest rate for a sub-prime mortgage could be 2 to 3 percentage points higher. In addition, banks changed larger loan origination fees for sub-prime loans because they knew these loans had a higher risk of going into default. The correlation between sub-prime loans and high delinquency rates cannot be understated. In 2007, the average national delinquency rate was 2.2%, but for sub-prime loans it was 20.5%. As the economy improved, the contrast in prime versus sub-prime delinquency rates remained, showing

rates of 6.9% vs. 43% in 2010, and 4.1% vs. 36.6% in 2013. It was a recipe for disaster; banks fleecing consumers by offering loans they knew they couldn’t afford.

Many lower income homeowners felt they previously had been left out of the system, so now at their own peril, they were taking the opportunity to purchase a home. For many, they would be the first in their families to become homeowners and felt a sense of pride. So, they filled out the application and didn’t provide any additional documentation, and were surprisingly approved. They were ecstatic, because they finally had a home of their own and all they had to provide as proof of income was their word.

What these homeowners didn’t know however, was the lengths some of these lending institutions went to conceal information and “approve” their loans. Some lenders admitted they would fill in all of the information on the loan applications, except the signature. Some applicants didn’t think this was odd to do business this way, after all, for many, it was their first application. Lenders would tell them, don’t worry about filling in the entire application, they will take care of it for them. This was such a common occurrence at one mortgage lender, the back room where these applications were doctored, was called the “Art Department”.

While these naïve applicants were delighted at the prospect of owning a home, they thought the lender was just being “helpful”. What they didn’t realize is the lender was not looking out for their best interest, but instead had a more nefarious reason for leaving these blanks. At the expense of the borrower, they could simply populate the terms and interest rate that would bring them the largest profit. Which often would be Adjustable Rate Mortgages (“ARM’s”) that had an interest rate that would re-set the interest rate at two or three percentage points higher in as little as a year. There were also loans that had Balloon payments, that required a large cash payment

---

14 Chain of Title, Dayen, 2016, Page 56.
on a set date or the loan would default, and worst still, loans that negatively amortized, causing the loan balance to go up instead of down as a traditional mortgage would. These exotic loan products were not as well known, and had dire consequences for homeowners. Imagine having an adjustable rate mortgage that adjusted your mortgage payment by hundreds of dollars per month. This scenario played out for millions of homeowners back in 2006 and 2007, causing millions of people to default on their loans and fall into foreclosure. Lenders simply took advantage of borrower’s lack of sophistication and financial literacy, all to increase their bottom lines.

B. Mortgage-Backed Securities

During the housing crisis there was a great deal of talk about the role mortgage-backed securities (“MBS”) played in the housing downturn. Little was known about these financial instruments before the media scrutiny and investigative journalism that followed the financial crisis.

The name “mortgage-backed security” accurately describes this type of financial instrument because it is a bond that consists of thousands of individual mortgages bundled together into pools and sold to investors as one single security. This type of bond differs from corporate bonds which are backed by an underlying corporation, or a U.S. Treasury Bond that is backed by the U.S. Government, because mortgage-backed securities are backed by the residential mortgages of average Americans.

The first mortgage backed security was invented by Lewis Ranieri while he worked at Solomon Brothers and was known as the “father of securitization”. Securitization occurs when

---

16 Chain of Title, Dayen, 2016, Page 22.
banks and mortgage companies sell mortgage loans to government agencies such as Government National Mortgage Association ("Ginnie Mae" or "GNMA"), quasi government agencies such as Federal National Mortgage Association ("Fannie Mae" or "FNMA") and Federal Home Loan Mortgage Corporation ("Freddie Mac" or "Freddie"), or private entities. Those loans are then bundled together into pools, and resold to investors.

When an investor buys a mortgage-backed security, in essence they are purchasing the right to all future income of the security. This income comes from borrowers making their monthly mortgage payments on time month after month. Any deviation from this model has an adverse outcome for the investor, even if it has a positive effect on the borrower. For example, if a borrower has extra money, and decides to prepay their mortgage, this prepayment negatively impacts the investor because paying down the mortgage means less interest will be paid in the long run. This also holds true for homeowners that decide to refinance their mortgage. Similar to the previous example, if the entire mortgage is paid in full, there is no way the investor can receive the full benefit of all of the revenue they would have received, had the borrower continued to pay interest month after month.

Another problem with mortgage-backed security, is not all the loans in any given bond are of the same quality. Pools are broken up into “tranches” based on their expected performance and interest rate. These tranches are numbered and allow for investors that purchase the higher quality tranches to receive interest payments before the investors in the lower tranches. Some of the pools had loans that were AAA rated, whereas others had pools made up of sub-prime loans more prone to default.

---

This methodology is not uncommon for bonds, charging more for bonds of higher quality than lower quality, and normally works fine, allowing investors that have more of an appetite for risk to reap the rewards of a higher rate of return.

During their conception in 1977, the mortgage backed security may have seemed like a good idea, the housing market at the time was stable and predictable and thought to be risk averse. Ranieri probably asked; what could possibly go wrong? Well, we all know what went wrong, the housing market plummeted because basic assumptions that were built into the financial models forecasted that the housing market would remain stable, and they proved to be wrong. Looking back, Ranieri and other pioneers of the mortgage-backed security industry were naive and short-sighted about what could happen if their predictions were not accurate.

Initially Ranieri had a difficult time getting the government to go along with his idea of this newly structured financial instrument. Buying mortgage-backed securities was prohibited by large institutional investors such as pension funds and private banks. In addition, sellers had to register in each state to sell MBS’s and could not sell them nationwide. Ranieri was successful in lobbying Congress to change the law and lift the restrictions so these securities could now be sold to a wider audience.

These securities have made many people in the financial services industry, as well as the general public a great deal of money, but at what cost? I’m sure many of these rich Wall Street tycoons have looked at the fall-out on the housing market and the broader economy, and may have had second thoughts about what they have created. It’s difficult to know if the lure of extreme wealth would have caused them to change course to avoid disastrous results.

C. Bond Rating Agencies

In my opinion, bond rating agencies should shoulder much of the blame for the housing market collapse. These companies with names such as Moody’s, Standard and Poor’s (“S&P”),
and Fitch were responsible for assigning ratings to bonds so investors could make informed decisions about the bonds they were attempting to purchase. All investments carry a certain level of risk, and although bonds are less risky than most stocks, the risk still remains. That’s why investors rely so heavily on the information provided by these rating agencies. These ratings represent a quick and uniform way to measure the soundness of the company beneath the bond. These agencies had a great deal of power and influence, having the ability to alter the financial markets by giving an undeservedly high rating to mortgage-backed securities. New York Times writer Tom Friedman expressed the perception of the rating agencies best when he said “there are two super powers in the world—the United States and Moody’s…and it was sometimes unclear which was more powerful”\textsuperscript{18}.

Bond ratings are typically expressed as “AAA” for bonds with the highest quality down to “CCC” and below for poorer quality bonds such as bonds in default.\textsuperscript{19} “Triple-A” rated bonds are highly coveted, and the difference in price for a highly rated bond versus a lower rated bond can be substantial. The AAA rating also signifies the company is more likely to pay interest to their investors and explains why investors rely so heavily on these ratings.

Assigning the appropriate rating to a bond is more of an art then a science. Analysts take into consideration many factors, but the information is mostly derived from complex financial models using algorithms that weigh characteristics such as a company’s industry, past performance, leadership structure, future revenue streams, debt on the company’s balance sheet, pending litigation, and the health of the overall economy.

The housing market was greatly affected by the reckless way in which the rating agencies rubber-stamped mortgage-backed securities comprised of delinquent loans or loans that were in

\textsuperscript{18} Panic, the Story of Modern Financial Insanity, Michael Lewis, Page 316.
\textsuperscript{19} What is a Bond Rating? Bond View. Obtained in June 2016 from https://www.bondview.com/articles/what_is_a_bond_rating.
foreclosure. This practice in my opinion constituted securities fraud on the part of the rating agencies because they were giving high ratings to bonds they knew were not of high quality. This deception had a number of bad consequences, including overcharging those who purchased the bonds, providing misleading information to the Security and Exchange Commission (“SEC”), and raising the risk of default of the underlying mortgages that supported the bonds.

Why would the rating agencies risk their reputation to engage in this unethical behavior? The answer is they simply were afraid to lose the business of the powerful financial companies that underwrote the bonds. These companies yielded a great deal of power and applied a great deal of pressure on the rating agencies to provide desired ratings and would push back if they received ratings they were not happy with. After all, the financial institutions were the ones that paid the salaries of the rating agency employees, which gave them an enormous amount of leverage.

As part of their regulatory responsibility, the SEC conducts an annual review and issues a report on the health of the 10 U.S. rating agencies. In their most recent report from 2015, they found rating agencies were still not following their own rules when assigning ratings, and occasionally were pressured by management to change an unpopular rating. The report said “two of the larger companies, failed to adhere to their policies and procedures, methodologies, or criteria, to properly apply quantitative models”  

D. Forged Foreclosure and Loan Documents

Most of the mortgage fraud that occurred during the build up to the housing bubble could not have happened without the systematic bank sanctioned document fraud that ran rampant

---

throughout lending institutions in this country. If it were not for the incredible first-hand accounts described by employees of these organizations, some of these misdeeds would never have been uncovered.

The document fraud that occurred simply because there was no other way for lenders to keep up with the tremendous demand of homes that were bought, sold, transferred, and ultimately fell into foreclosure. Their solution was to falsify documents in order to move the process forward costing them the least amount of money. Property transfers in this country must be carried out in a specific order to ensure the chain of title is not broken. This chain of title is similar to the chain of evidence in a criminal case, where each step along the way must be documented and preserved to ensure their integrity. In addition, documentation, including signatures must be filed with the county clerk or recording office in the county where the property is located. In addition, there is usually a fee to record the transfer and new title.

Now imagine the tens of thousands of loans that were transferred every day during the height of the housing frenzy. Home prices were rising so fast that not only did it bring new homeowners into the market, there were also people selling to upgrade their current home, and investors who were flipping houses as a way to make a quick buck. Then take into account the pooling of mortgage-backed securities that allowed loans to be transferred five or six times within a short period of time. The scenario that I’ve just described made it impossible for lenders to handle the paperwork and fees that would be involved in transferring thousands of loans each day, which increased substantially with the advent of mortgage-backed securities and securitization.
The solution of many mortgage lenders was the creation of an electronic system that would allow thousands of loans to be transferred at minimal cost. They labeled this new system “MERS” which is an acronym for Mortgage Electronic Registration System. This seemed like a good solution to the loan transfer dilemma, but there was only one problem, there was no way for the chain of title to remain in tack when so many documents and so many loans were involved. In addition, there would be no way for lenders to physically sign and notarize the millions of documents in real time as they were legally required to do. The bank’s only solution was to break this chain of title by hiring document processing firms with names like DOCX or Nationwide Title Clearing, to sign or rubber stamp loan transfer documents. Many times backdating documents to coincide with the original loan transfer. Banks were also assigning loans to themselves and then foreclosing on properties they did not own.

Figure 1 – The 2 Part of a Mortgage

In depositions, some of these document processors, who most often were entry level employees hired to “fix” documents, admitted under oath to signing documents as vice presidents or other officers for multiple financial institutions, sometimes signing as many as
1,000 documents per week. It was common to see a familiar name signing on “behalf of MERS”, and see that exact same name on another document for a different company in a completely different state.

Banks knew they were breaking the law, but if they did not come up with this illegal solution, their securitization model would not work. So they carried on with their fraudulent document scheme and hoped that no one would notice, or care.

It’s clear, the motive to carry out this scheme was purely driven by profit and convenience. Even when faced with indisputable evidence of the massive fraud that was occurring all over America, most experienced attorneys and law enforcement officials would not allow themselves to believe this was true. But the truth was eventually exposed thanks to some determined homeowners and attorneys working for the public good. These groups worked together and uncovered and exposed thousands of documents that had obviously been falsified. What else could explain two different lenders filing paperwork to foreclose on a single property or foreclosures on properties in which the homeowner never missed a payment? There was even a case when the court allowed a home to be foreclosed on and bulldozed, because the lender produced paperwork with the wrong house number. Imagine coming home to find your house had been torn down due to a document mistake. Although these cases may seem extreme, it was becoming the norm for home owners that had never missed a payment to find themselves in foreclosure.

With the sheer volume of documents and loans, there were bound be mistakes and sloppy work that would soon come to the surface. One such example is the loan transfer filed with the county clerk’s office that listed “BOGUS DOCUMENT” as the new owner of the loan. It was clear the document processor populated this erroneous name in their template and forgot to
replace it with the correct name before sending it to the bank’s attorney. This fraudulent
document was actually submitted to the court and used to foreclose on a property.

The previous example shows there was a systemic problem with foreclosure documents
because in the state of Florida, where this document was filed, there is a court proceeding
required before the bank can foreclose on a property. Therefore this document should have been
reviewed by multiple people including the bank’s attorney, the county recording office, and the
judge that ruled in favor of the plaintiff (the bank), and granted their request to foreclosure.

How was it possible to foreclose on someone’s home with falsified documents? There were
several key players that helped to carry out this scheme, but it all started with attorneys hired by
the banks to foreclose on alleged delinquent properties. These companies became known as
“Foreclosure Mills” because of the large volume of foreclosures they handled. These law firms
did nothing but process paperwork and file motions to foreclose on behalf of the banks.

E. Unethical Professionals

While it is true, there are unethical professionals within many organizations, certain
professions seem to have a larger share of unethical behavior. This is especially true in
professions which are commission based, and deal with large sums of money, because
employees have more to gain and therefore are more willing to cross the line into unethical or
criminal behavior.

In the previous section I’ve described lenders that were willing to devise an entire scheme
whose sole purpose was to defraud homeowners by foreclosing on their properties with illegal
documents through broken chain of title. There were also phony document processors who
probably did not know the extent of the damage they caused by signing these fake documents. I
believe management of these organizations knew they were co-conspirators in a fraud scheme
and intentionally hired low level, under paid employees to carry out their misdeeds.
Unfortunately, lenders and document processors were not the only professionals willing to cross the line. The lawyers in the foreclosure mills were willing to take on hundreds of cases from the banks knowing full well they did not have the staff required to thoroughly review the foreclosure paperwork that would remove someone from their home. As officers of the court, attorneys have an obligation to uphold the law and practice their profession with a standard of due care. In my opinion, I don’t believe this standard was upheld because these attorneys came to court regularly with documents they did not read or review.

There were also process servers that were caught in the foreclosure frenzy. So many homes were going through the foreclosure process that the process servers could not keep up with the volume. In states like Florida, lenders had to actually sue homeowners in order to foreclose on their property. The law required homeowners to be served with their summons in person, so they could not be mailed or simply left in the doorway of the home. Unfortunately, process servers broke the law and did just that. These overworked process servers were paid for each summons they delivered and only received payment if the summons was physically delivered to the homeowner. There are stories of homeowner coming home to find their summons thrown in their front yard, or not delivered at all. Imagine, the bank could foreclose on a property without a fight because the homeowner was never notified of the pending court procedure.

This obviously was not a job that everyone wanted to perform because there was an emotional component some processors could not handle. In addition, news articles in some of the areas with the highest number of foreclosures, have shown that during the housing crisis there was an increased level of danger and physical violence facing process servers\(^\text{21}\). Their heightened level of fear caused some of them to resort to tactics called “sewer service”, where they drove by

and threw the summons in the yard, so they wouldn’t have to have direct contact and face the homeowner\textsuperscript{22}.

\textbf{F. Greed}

Greed goes hand in hand with the unethical behavior described above from professionals in the mortgage and real estate industries. While there is no way to quantify the amount of money they made from other people’s misery, it was quite substantial, and was proven to be enough for some to display unethical behavior and others to break the law. As is proven time and time again from bills hastily passed by Congress in an effort to pander to their respective political bases, morality cannot be cured by legislation. No matter how many rules are put in place, people will always find ways to manipulate the system. This is especially true when large sums of money are involved.

\textbf{VI. The Human Toll}

We all know life can at times bring unexpected changes. Sometimes these changes can be wonderful, such as landing your dream job, or learning that a very wealthy relative left you a large inheritance. There are also changes so devastating that it’s difficult to see light at the end of the tunnel, and from which you may never recover. Such is the case of millions of people whose lives were forever changed by the downturn in the housing market cause by rampant fraud. In the following sections I will present two cases in which both homeowners found themselves in the unenviable position of being foreclosed on by their lender, and analyze the financial and physiological impact it had on them and their families.

\textsuperscript{22} Chain of Title, Dayen, 2016, Page 2.
A. Financial Impact

At the height of the housing crisis in 2008, it is estimated that one in every 54 homes in America was in the midst of a foreclosure proceeding. This number signifies that foreclosures were happening in every town and neighborhood in America. This uncertainty in the very fabric of American society, created instability in the financial and the job markets leading to an unemployment rate of 10%. Even as the financial markets began to stabilize, the housing market lagged behind and in 2010 foreclosure rates were still as high as 2.9 million homes.

There were efforts to slow down the foreclosure rate, but none of programs had much success.

James Saccacio, the CEO of RealtyTrac, a real estate information company, is quoted as saying, "Clearly the foreclosure prevention programs implemented to date have not had any real success in slowing down this foreclosure tsunami".23

The trickle-down effect was undeniable, causing previously booming real estate and construction industries to come to a grinding halt as homeowners stopped purchasing homes for fear of losing their jobs. The weak economy caused economists to warn conditions could get even worst and lead to the worst repression in 50 years.24

The purchase of a home is the largest purchase most people will make in their lifetime and the process can be both scary and exciting at the same time. A new home represents the start of a new chapter in a family’s life, but it also represents a major financial commitment. Financial security is sometimes labeled as “The American Dream” and most people work hard and do whatever it takes to achieve this goal. The desire to provide a comfortable lifestyle for them and

---

their families pushes them to succeed. It’s ironic that people began putting their money into real estate after the recession of 2001 because it was supposed to be a “safe” investment.

In 2007, the housing market crashed, although economist forecasted that it would happen at least two years before it became a reality. They could see housing prices were rising fast and knew it would not be sustainable. Many believe this downward spiral was the direct result of The Quality Housing and Work Responsibility Act of 1998, which was regulation that made it easier to purchase homes, by lowering requirements for down payments and documentation of income, but there were some unintended consequences.

- People were re-financing at alarming rates, taking equity out of their home to do things like home remodeling, vacations, college tuition and weddings. These expenses were previously covered by unsecured loans, but now people rolled these expenses into their mortgages, and saw this as a way to get “free” money.

- Americans were upgrading to bigger and bigger homes causing people to take on more debt with each new transaction. There was a frenzy surrounding new home sales that led to bidding wars and people drastically overpaying for that dream home in the right school district. It wasn’t uncommon to see long lines of people waiting to purchase homes in the newest and most desired neighborhoods.

- As housing prices began to fall on 2006, people found themselves ”underwater” in their mortgages, which is a term used to describe a scenario when homeowners owe more on their mortgage than the property is worth. This put homeowners in a very difficult position because there was no benefit to selling their home since they couldn’t pay off their mortgage. Some homeowners thought they had no way out, and simply abandoned the property, which was called voluntary foreclosure.
B. Case #1 – Lisa Epstein

Lisa Epstein never imaged she was the type of person that would lose her home. All of her life she made good choices and was very responsible. One of the areas that she was especially proud of was how she handled her finances, always living within her means and saving for a rainy day.

Lisa was a well-educated critical care nurse who worked hard and made a comfortable salary that afforded her to live the care free lifestyle of a single professional. She was a Washington DC native that took a trip to Florida and fell in love with Florida’s beautiful weather. So, shortly after college she decided to relocate to the Sunshine State, and make it her home. Her decision to settle down in Florida started her on a search to find a home to purchase. She finally came across her ideal home; a condo overlooking the water in Palm Beach. The home was quite small, but for Lisa, it was perfect, and she didn’t have a problem with the down payment since she had always been thrifty, electing to save, rather than buy the next new gadget. Lisa was not the type of person that lived beyond her means, which is another reason she found it so difficult to come to grips with her current situation.

Purchasing a home was a new and unfamiliar process for Lisa and she did not need to get a traditional 30-year mortgage, because her condo was part of a co-op, which was a bit unorthodox for the Florida Real Estate market. In essence, Lisa was purchasing a “share” of the building and would never truly own her unit. This scared away most lenders and therefore Lisa could not get the necessary ‘share loan’ to purchase her co-op. In the end, Lisa got her financing from the generous previous owners, allowing her to steer clear of traditional financing. This non-traditional financing would ultimately lead to her downfall.

Fast forward two years; Lisa has met the love of her life and decided to get married. Her new husband convinced her that her small condo was not large enough for their growing family, and a
new larger home was the way to go. So, against her better judgement, in 2007, Lisa agreed to purchase a new larger home, and put the mortgage solely in her name because of her excellent credit. This decision would come back to haunt Lisa as a series of financial setbacks, including an out of work husband, and a child born with medical problems, began to dry up the nest egg she so carefully saved over the years.

Lisa thought she had a good plan to avoid her current situation. Although she only put down a meager five percent on the purchase, she believed she had a solid plan to put her family in the best possible situation. The plan; put down the minimum amount necessary to purchase the home, then sell Lisa’s co-op and use the proceeds to finance the $313,000 mortgage to a more manageable amount. This was a well thought out and reasonable plan, but unfortunately the plan had a fatal flaw, the looming housing crash would make it impossible for her to sell the co-op unit.

This left Lisa with two houses, two mortgages, and mounting debt which became increasingly difficult to manage. The most disturbing part of Lisa’s story happened when she reached out to her lender for help and guidance. After all, she did not want to go into foreclosure or ruin her credit. After exhaustive efforts to contact someone from her lender that could help her, she finally received advice that would alter Lisa’s future. The representative advised her to stop paying her mortgage, so she could qualify for one of the mortgage modification programs that were starting to become available. This advice didn’t seem quite right, but Lisa was desperate, and ultimately stopped making her mortgage payments with hopes that help would soon be on the way. As Lisa would soon learn, taking this bad advice would have devastating consequences.

The financial strain eventually caused Lisa to lose her marriage, her job, and her home.

25 Chain of Title, Dayen, 2016, Pages 10-11.
This story of Lisa Epstein is a cautionary tale of how a working professional with a great credit score and an ample savings account became the victim of ruthless lenders willing to use forged loan documents, and bad advice to foreclosure on her property.

C. Psychological Impact

Some things in life are certainly unexpected, and losing your home is one of those things. This sort of upheaval can be chaotic for a homeowner and cause feelings of despair and hopelessness.

The eviction process is not easy for anyone in the household, whether they are adults, teens or school age children, the entire family feels the ill effects of uncertainly and stress, as the family is displaced and forced to leave the comforts of their home and community. The adult homeowners at least are aware of the impending foreclosure, the children on the other hand rarely know what’s about to happen, and their displacement may come as a complete surprise. Children are certainly resilient, but there are sure to be long-lasting ill effects associated with leaving their neighbors and classmates behind.

Most people buy into the notion that if they work hard and do the right things in life, everything else will fall into place and be alright. Life however, doesn’t always work that way, and there are many examples of really bad things happening to very good people. When the housing market crashed some homeowners also had to come to grips with the fact they were the victims of mortgage fraud schemes which caused them to lose their home. Coming to terms with these harsh realities and accepting their circumstances as their “new normal” is not always an easy thing to do. Some people seek therapy to learn coping skills, while others attempt to go at it alone, struggling and hoping they have what it takes to keep their sanity.
This feeling of loss can be like a death; realizing you have no money, no home and no hope. After all, who wants to believe they could be homeless in as little as three months? In the beginning of the crisis friends and family will come to the rescue, but they will only be empathetic and helpful for a short while. After all, friends and family members have their own lives and can’t be expected to completely change their lifestyles or use their retirement savings to bail you out.

There is an awful lot of shame when foreclosure happens to you. The experience can be lonely and feel as though you are the only one who is going through this incredibly life altering event. A person can feel as though they are letting down an awful lot of people such as elderly parents, children, and charitable organizations, who depend on them for financial support. These people must now be moved to the back burner as the homeowner struggles to straighten out their life.

Homeowners also experience a sense of sadness because there is no contrition or remorse on the part of the lending institutions that misled or lied to them. No one took responsibility for their misery, no criminal charges were filed, and no one went to jail. Forgiveness is a part of the healing process, but these homeowners were denied the right to forgive their abusers, and therefore found it difficult to move on with their lives.

According to a study conducted by researchers from Perdue University and Dartmouth College, 2009 suicide rates for foreclosure victims were higher than the rate of people killed in car accidents. From 2005 through 2010, the suicide rate among middle-aged people aged 35-64 had increased, and doctors were struggling to find the root cause. After extensive research, they finally had their answer; they saw a direct correlation between those higher suicide rates and the high rates of foreclosures during the housing crisis. Figure 2 below clearly shows the rates for both suicides and foreclosures beginning to trend upward in 2006. This is a significant finding,
because it shows how devastating foreclosures can be, and the real impact it can have on a family.

Figure 2 – Changes in Suicide & Foreclosure Rates 2005 - 2010

D. Case #2 – Raymond and Deanna Donaca

Depression is a real possibility when a homeowner goes through something as traumatic as losing their home because their home represents more than just a place to live. It represents stability, anchors them, and provides a safe haven from the stresses of the world. This is why it’s so difficult for homeowners to come to terms with the reality that they no longer own the home they’ve lived in for much of their lives and raised their families. The despair is sometimes overwhelming, affecting marriages and the ability to make good decisions.
The suicides of Raymond and Deanna Donaca of Pineville Oregon illustrate such desperation. After learning of the inevitable foreclosure on the home they lived in for the previous 20 years, it was apparently more than the couple could bear. A few days before they would be forced to leave their home, the couple committed suicide by leaving one of their cars running in the closed garage, to die of carbon monoxide poisoning. This is certainly a sad story and shows the lengths a desperate family will go to when facing foreclosure.

**ACT III – WINNERS & LOSERS**

**VII. THE CRIMINAL COMPONENT**

Anytime a group of people are talking about the financial crisis and how someone they know personally lost their home, the discussion always comes back to one thing; why hasn’t someone gone to jail? Based on the events that we now know unfolded to defraud homeowners, it is not an unreasonable question. Is it possible millions of people lost their homes and jobs, yet no one was held accountable? In this next section I will examine the various laws surrounding the mortgage, and securities industries, and determine if laws were broken. I will then take a look to see if anyone from the various organization involved in the fraud went to jail and the crimes they were charged with.

Greed is not good; although Gordon Gecko, the fictitious character from the 1991 movie *Wall Street*, would certainly disagree. His character personified the greed and corruption that was glamorized in the 1980’s and 90’s. Everyone wanted the expensive cars and lavish homes that were thought to be a rite of passage for successful people. Getting paid big money for learning to

---

cut corners and beat the system was now appealing to the masses, even if it meant breaking the law. The consensus was that everyone else was doing it.

Hard work was now frowned upon and it was difficult to believe there was once a time in this country when being humble and living a low key lifestyle was applauded. Older Americans lived through The Great Depression and were quite happy to simply make enough money to buy a small house and support their families, and would never dream of living a flashy lifestyle. Unfortunately, their children did not feel the same way and had a different belief system that dictated the way they should live their lives.

A. Is this Really Fraud?

According to the FBI, the definition of mortgage fraud is "Any material misstatement, misrepresentation or omission relied upon by an underwriter or lender to fund, purchase or insure a loan." To determine if the previous examples are actually fraud, or simply an exploitation of housing laws, we must first examine the perceived wrongdoing and determine if the actions meet the criteria for actionable fraud.

No matter what category these misdeeds fall into, there are legal requirements that must be met in order to satisfy the criminal and civil requirements for actionable fraud. In order to prove an allegation of fraud, these four elements must be present:

- Representation or omission of material facts, that is false;
- An intent to deceive;
- The victim must act upon this information they believe to be true;
- The victim must suffer damages based on this misrepresentation or omission.

I would argue that all elements were met in the mortgage fraud cases that I’ve highlighted in the previous sections based on the accounts of forged documents, misleading mortgage applications and omissions concerning the terms and interest rates of sub-prime loans.
B. Characteristics of the Fraudsters

What type of person commits mortgage fraud? Many studies have been conducted to put together a profile of the typical fraudster; and the conclusion they’ve reached; there is no easy answer to this question. Fraudsters cannot be lumped into a single group because research has shown that fraud is committed by people from all demographics including, men, and women, wealthy and poor. Another statistic that makes fraud such a difficult crime to diagnosis and prevent, is the reality that many fraudsters are first time offenders, and were model citizens up until the point they committed their fraud. This fact makes it very difficult to apply preventive measures that may work for other crimes.

As we can see in Figure 3 below in the famous Fraud Triangle, created by fraud pioneer Donald Cressey, there are three important elements that must be present to foster an environment ripe for occupational fraud; pressure, opportunity and rationalization. It’s important to understand how these elements allowed real estate professionals, mortgage brokers, title companies, appraisers, and banking professionals to break the law by performing misdeeds while performing their jobs. It is important to note, these same characteristics apply to other professionals discussed below.

Figure 3 – The Fraud Triangle

• **Pressure** – There was a great deal of pressure to perform at the highest level. Whether that meant selling the biggest house or closing the biggest deal, most of these professionals worked in commission based industries so the pressure to perform was enormous.

• **Opportunity** - The opportunity to defraud their customers was present for each of these professionals. Most of them worked independently which gave them many opportunities to cut side deals or overcharge their customers without the scrutiny other workers may endure.

• **Rationalization** – It’s amazing how a person can rationalize away bad behavior. Usually when a person commits fraud, they start off slowly to test the waters and see if anyone notices. If they are not caught, they will continue their behavior until or if they are caught. Most fraudsters rationalize their bad behavior by saying they are not bad people.

Listed below is a description of some mortgage industry professionals that engaged in mortgage fraud during the housing crisis.

**Real Estate Professionals**

Meeting with a real estate professional usually happens early in the home buying process. They are an important resource for potential home buyers as they navigate the expensive and often confusing process of buying real estate. There are unfamiliar forms and unfamiliar terms used by the realtor that puts the homeowner in an uncomfortable situation.

**Mortgage Brokers**

Mortgage brokers are responsible for finding the mortgage that is right for the individual borrower. Just like all potential homeowners are not equal, the same is true for the various mortgage products that are available. The most common types are fixed-rate and variable-rate mortgages with terms of 15 or 30 years.

**Title Companies**
Title companies have the responsibility of making sure properties are purchased with a clean title, so no one other than the seller can claim the property as their own. The title company accomplishes this by performing a title search through county court records; an essential step for the person purchasing the property. This step does not guarantee the title is free and clear, but it greatly reduces the possibility.

**Appraisers**

Appraisers are the backbone of the real estate market because they ultimately determine the market value of the properties that are bought and sold. Professional appraisals hold a great deal of weight in a real estate transaction, and rely heavily on the expertise and integrity of the appraiser. During the real estate boom, appraisers were in high demand because of the large volume of housing transactions, and borrowers couldn’t get a mortgage unless the appraiser valued their perspective home at an amount high enough for the mortgage company to sign off.

When lenders and banks were selling mortgage-backed securities at accelerated rates, appraisers did not always play by the rules and began cutting corners by providing appraisals for properties they never saw in person. There were even occurrences when some mortgage companies would accept an Appraisal Waiver, that didn’t require an appraisal at all.

As some of these lenders would later find out, looking at a picture and reading a description, does not tell the whole story. Appraisal documents can be manipulated and inflated to describe a property that looks like a good investment on paper, when in fact, the house could have major damage that could be hidden if the property is not inspected in person. In addition, national lenders would have limited knowledge of a particular neighborhood on the other side of the country and would not be able to get a true sense of the value of a home. So when these numbers were drastically inflated to increase the appraiser’s commission or kick-back from the mortgage broker, the lender would be none the wiser.
Mortgage Servicers

Mortgage servicers play an important role in the mortgage process. Among their other responsibilities their role is to collect mortgage payments from borrowers and in turn pay taxes, insurance and any other expenses from borrower’s escrow accounts. They have a great deal of control over borrower’s accounts and were accused of deliberated adding additional fees and late charges to maximize the amount they could profit on each loan. In a practice called “fee pyramiding” mortgage servicers would take the additional fees and late charges from homeowner’s normal mortgage payments, causing additional late charges to accumulate. These servicers were also accused of programming their payment processing systems to maximize these extra fees by deliberately holding on to payments and applying them well after their due dates. Servicers knew even if the homeowner went into foreclosure, servicer fees were paid first, giving them an incentive to keep the fraud scheme going.

C. Characteristics of the Victims

What characteristics do the victims of mortgage fraud have in common? In many respects mortgage fraud is no different from many other types of fraud; it victimizes people who are vulnerable, naïve and some would say gullible. The insidious nature of mortgage fraud shows that, it not only shatters the financial well-being of an individual, it also threatens to remove them from their home. The most important thing to remember as you listen to the countless stories of these homeowners; these people are indeed victims. Regardless of what executives from the major financial institutions said, as they tried to spin the causes of the mortgage crisis, and place the blame solely on the mortgage holders, these lenders with their deceptive and fraudulent tactics were at definitely at fault.

---

Were some of the homeowners careless or a bit irresponsible when they purchased their dream homes? The answer is undoubtedly yes, but they relied on the countless mortgage professionals they encountered to give them accurate and honest advice. Many of these victims were first time home buyers with modest incomes and limited real estate or financial knowledge. Some believe these predatory lending institutions targeted particular demographics such as minorities, the elderly, and people whose first language was something other than English, because they thought these groups were less sophisticated and could be more easily manipulated. According to research conducted by authors Asif Mian and Amir Sufi, lenders specifically targeted people in lower income neighborhoods within certain zip codes and sold them loans which they could not afford. Some of these loans had low interest rates in the beginning of the term, then accelerated to a much higher rate, making their mortgage payment so high, they became unsustainable. This type of deception is a practice called predatory lending, and although illegal, was commonplace in the lending industry for a very long time. This targeted approach to manipulating homeowners, through high pressure sales tactics or outright deception, put a great deal of stress on entire neighborhoods as these loans became delinquent one by one and caused these homeowners to fall into foreclosure.

After the housing crisis, there have been efforts made by government agencies to crack down on predatory lending and paved the way for homeowners and municipalities to file lawsuits against predatory lenders, with limited success. Wells Fargo, one of the country’s leading lenders was sued by the city of Los Angeles for targeting minority residences as far back

---

as 2004. Unfortunately, the plaintiffs did not prevail and the case was dismissed because the judge said there were “undisputed facts”\textsuperscript{29}.

When it came to uncovering the numerous accounts of egregious fraud committed by major financial institutions in this country, if it were not for the amateur investigative work performed by homeowners going through foreclosure, these fraudulent practices would not have been exposed. Their tenacity, and frankly their desperation to find answers within the maze of legal documents and court systems, was a burden only a few brave souls would dare to take on. These investigations were so time consuming, expensive and mentally draining, not many people would take on the challenge. Another obstacle homeowners faced with exposing the truth, was getting people to come forward with their stories because of the stigma and embarrassment attached to foreclosure. As described in the book \textit{Chain of Title} by David Dayen, one of the homeowners Dayen highlights, Michael Redman, was hesitant to come forward and tell his story, because he said “nobody wanted to endanger their case or become the foreclosure poster child”\textsuperscript{30}

\textbf{ACT IV – CONSEQUENCES}

\textbf{VIII. EXPOSING THE TRUTH}

There had been rumblings from desperate homeowners for the better part of three years that something in the way these mass foreclosures were carried out, just wasn’t quite right. How could it be that so many people from the same communities were going into foreclosure? It was the dirty secret that no one wanted to discuss, yet it was obvious was happening all around them every day. There were countless lifeless homes, boarded up and obviously vacated in a hurry, evident by the toys and family memorabilia left behind strewn about in the yard. Foreclosure

\textsuperscript{29} Wells Fargo wins dismissal of Los Angeles Predatory Lending Lawsuit, Reuters, Johnathan Stempel, July 17, 2015.

\textsuperscript{30} Chain of Title, Dayen, 2016, Page 91.
notices tacked to the front door of home after home brought anger from the surrounding neighbors as they saw their once inflated home values begin to plummet, and their beautiful communities begin to fall into disrepair as houses sat vacant. Thriving communities in which children played in the pristine blue waters of their backyard swimming pools where neighbors took after dinner strolls, were now abandoned, leaving those same pools as soupy swamps; an invitation for animal infestation. These homes were also ripe for squatters looking for shelter, and thieves who wanted to remove cooper pipes and anything else they could to sell to make some quick cash.

Although it was unclear at the time, many of the homeowners who received foreclosure notices were about to learn they were involved in a massive fraud perpetrated by the mortgage and financial services industries. This idea had been put forth by homeowners that found themselves being sued by companies they didn’t recognize and would argue they had never done business with. Who were these random companies and how were they involved in their mortgage? It was puzzling, and for many, it just didn’t pass the smell test.

And so, some of these homeowners without any formal legal training, began to take matters into their own hands, and started the process of learning how the foreclosure process worked. They knew they had to investigate and trace the specific steps taken by their lenders that led to their mortgages ending up in foreclosure. The task that lay ahead would be daunting and there were many doubts and questions concerning how an individual could stand up to these financial giants. There was certainly concerns and fear, but these novice investigators decided they had no choice but to try. They knew it wouldn’t be easy, but their only other option was to surrender, and risk losing everything.

There were two groups that played an essential role in uncovering the truth about how these financial services companies systematically cheated the American public out of tens of millions
of dollars and thousands of homes; individual homeowners and activist attorneys. In my next section I will lay out the steps taken by these amateur fraud investigators who put in thousands of hours and worked tirelessly without pay in an effort to expose the truth.

A. The Investigation

Listed below is a description of the investigative steps taken by one such amateur homeowner to reveal how lenders and mortgage servicers conspired to devise a system to falsify documents and present those false documents to the various governing authorities, including the court system, in an effort to foreclose on homes, with little resistance or detection. Admittedly, these facts are sometimes difficult to believe, however, my research has shown this information to be true, substantiated and documented in legal proceedings and publications after the housing collapse.

Lynn Szymoniak

Lynn Szymoniak did not set out to take on the mortgage industry. By profession she was an attorney, hired as an expert witness to examine and testify about fraudulent documents in workman’s compensation cases against some of the nation’s largest insurance companies. Lynn, like so many other Americans, had overextended herself taking care of a sick relative, and now had to come to grips with the fact that her home was in foreclosure. She did not tell anyone she was about to lose her home, but instead used her legal training to do everything she could to delay the proceedings as long as possible.

One day while looking over her foreclosure documents, she noticed the dates and signatures on the documents she received from her lender were not correct. Lynn had a keen eye for mistakes and inconsistencies due to her many years of training as a document fraud expert, and, after looking through her paperwork several times; she knew instinctively something was terribly wrong.
When the bank initially sent Lynn her foreclosure notices a year earlier, they said some of the paperwork was “missing”. In Lynn’s and thousands of other cases, the lender said they lost the note, only later to suspiciously have “found” the note.

As described in Figure 1 above, in order for a lender to foreclose on a property, they must be in possession of the note and the Assignment of Mortgage, showing they are the true owners of the property. With each transfer of property The Assignment of Mortgage must be signed over to the new owners and notarized. The problem with Lynn’s Assignment of Mortgage was it was dated several months after the lender sued her for foreclosure as shown in Figure 4 below. After this discovery Lynn knew for sure this document had to be fraudulent because these dates showed the bank were admitting they did not own the mortgage, at the time they were attempting to foreclose on her property.

Lynn knew she had to investigate further and dig deeper, in order to be sure she was not mistaken about the possibility of fraud. Her next step was to find out why these notarized documents had incorrect dates on them, so she looked into the person who signed her “Assignment of Mortgage”, as vice president from her lender named “Linda Green”. Lynn looked on-line at thousands of other foreclosure documents and soon discovered an alarming pattern; “Linda Green” had signed many other documents from a variety of banks with multiple states with multiple titles. In addition, each signature was vastly different from one document to the next. Lynn belonged to a community of other homeowners facing foreclosure, and her network soon began sending her documents from all over the country signed by “Linda Green”. She saw firsthand how banks used document processing companies, many times owned by the very same banks that were foreclosing, to “robo sign” thousands of missing documents.

Lynn initially had trouble getting law enforcement to act on her findings even though she had solid evidence of fraud. Lynn had personal friends that worked in the FBI and the Attorney
General’s office, yet it was difficult for her to move her case forward. Eventually her persistence and tenacity paid off and Lynn sued her lender. In the end, Lynn prevailed and won an award of $18 million dollars\(^\text{31}\) from a fund set up containing $25 billion dollars set aside from the 5 largest banks. Lynn was one of the lucky ones. There were others that filed a class action suit, but only received a meager $2,500 each. Imagine receiving a $2,500 payment in exchange for the heartache of illegally losing your home. Her successful suit of the major banks that were presenting fraudulent documents was widely known as the “Show me the note defense”\(^\text{32}\) forced banks to either come forward with fraudulent documents, or admit to the court they never had legal title to the property in which they were attempting to foreclose. The banks found themselves in an untenable position.

As we can see in Figure 4 below, it was commonplace for lenders to backdate documents in order to show they rightfully owned the property and could therefore legally foreclose. The problem the lenders had was the volume of foreclosures was so high, it was almost impossible to ensure all transfers and assignments were executed in the proper and legal order.

\textit{Figure 4 - Example of Falsified Assignment of Mortgage Document}

\(^{31}\) 60 Minutes Whistleblower Gets $18, Housing Predictor, Mike Colpitts, Obtained in June 2016 from http://www.housingpredictor.com/robo-signing-whistleblower/.
\(^{32}\)Chain of Title, Dayen, 2016, Page 118.
IX. WHISTLEBLOWERS

The importance and impact of whistleblower’s accounts of what occurred during the mortgage meltdown cannot be understated. If not for these brave men and women that came forward to recount their firsthand knowledge of the experiences they encountered while working within these giants of industry, much of what we learned about fraudulent and deceptive practices, would have remained a secret.

One such person is Sherry Hunt who was a senior manager in Citigroup’s (“Citi”) mortgage department. She joined Citigroup in 2004, and was responsible for protecting the bank from fraud and bad investments. In 2011 Hunt filed suit as a whistleblower under the Qui Tam provision of the federal False Claims Act against Citigroup and was awarded $31 million dollars. Hunt determined that Citigroup was buying mortgages from outside lenders with falsified tax forms, phony appraisals and missing signatures. Hunt’s job was to identify these defects and report them to upper management, however when she reported her findings to the appropriate
senior executives, she was prompted to remain silent and threatened with losing her job. She had an ethical dilemma to overcome, whether to remain silent and keep her job and financial security, or do the right thing by reporting Citi to the appropriate authorities. Sherry chose to do the right thing even though she faced harassment and threats of physical harm. The same cannot be said for countless employees that saw daily occurrences of wrongdoing, and chose to look the other way.

X. ALLEGATIONS

A. Governing Authorities

The following agencies are tasked with ensuring consumers are protected and receive justice under the law against offenders engaged in mortgage fraud. They have the authority to investigate, levy fines, penalties or issue sanctions against organizations for illegal behavior. However, not all misdeeds are deemed criminal acts, therefore some violations must be handled as civil or administrative actions. Allegations can be brought against an individual or organization. This list only represents a sample of agencies that handle fraud cases and is not all-inclusive.

- **The Securities and Exchange Commission ("SEC")**

  Their mission is to ensure a fair and open market by criminalizing acts such as insider trading or the misstatement of a company’s financial position. They are the agency responsible for making sure public corporations provide investors with financial information that gives an accurate picture of their financial position, and fully discloses all important information, that may impact the accuracy of their asset valuations.

- **Federal Trade Commission ("FTC")**

  The FTC enforces federal consumer protection laws that “protect consumers against fraud, deception or unfair business practices”.
- **Consumer Financial Protection Bureau (“CFPB”)**
  
  The CFPB was implemented as part of the Dodd-Frank legislation in 2010 to protect consumers against unfair treatment from financial institutions.

- **Office of Comptroller of Currency (“OCC”)**
  
  The OCC is a division of the U.S. Treasury that supervises all national banks. Part of their mission statement says banks will “treat customers fairly”.

  In addition to the federal agencies listed above, cases can also be referred to The Federal Bureau of Investigation (“FBI”) or Department of Justice (“DOJ”) for prosecution by any of the agencies listed above. This normally requires the case to meet a minimum dollar threshold or meet the criteria of an agency directive. Consumers or shareholders can also sue for damages in an amount that will make them whole if they believe an organization has defrauded them.

**B. Prevailing Statues**

If someone is suspected of committing mortgage fraud, there are a wide variety of charges available to prosecutors. The charges they bring will ultimately be based upon the prevailing statues of a particular jurisdiction and the individual circumstances of each case.

As discussed previously, mortgage fraud can have many different elements, so there are various criminal, civil and administrative remedies that are appropriate. Many times the criminal burden of proof cannot be met because the “beyond a reasonable doubt” threshold for a criminal act is very high, whereas the burden for civil penalties is “by preponderance of the evidence” or “more likely than not”, which is a lower burden. An administrative action can also be brought against someone that has violated the rules set forth by that agency. Listed below are some of the prevailing statues that cover an allegation of mortgage fraud:

---

33 White Collar Crime, the Essentials, Brian K, Payne, Pgs. 333-335.
• **Violation of Securities Acts of 1933 & 1934**
  
  o **15 U.S.C. §§ 78i - Manipulation of Security Price**
    
    Banks and other lending entities knowingly and willingly sold mortgage-backed securities that contained loans of inferior quality securities at full price without the appropriate disclosures.

• **Violation of False Claims Act – Criminal and Civil**
  
  o **18 U.S. Code § 287 – Criminal; 31 U.S.C. §§ 3729 - 3733 - Civil**
    
    o Knowingly filed erroneous tax returns with the IRS that contained over valued securities.
    
    o Knowingly filed financial statements such as 10K’s with the SEC that contained over valued securities without the appropriate disclosures.

• **Conspiracy to Defraud the United States Government**
  
  o **18 U.S. Code § 371**
    
    o Financial institutions, document processing firms, realtors, attorneys and appraisers all conspired to present misleading and false information to investors about the value of Government Sponsored Entities such as GNMA, FNMA and FHLMC MBS’s.

  
  o Section 807 – False or Misleading Information
  
  o Section 808 – Unfair Practices

**C. Obstacles to Prosecutions**

Conducting an investigation into the fraudulent practices at banks and other lending institutions is almost an impossible task. There is a network of people who earn a significant amount of money by breaking the law and violating rules, and would do just about anything to ensure the secrecy surrounding their criminal activity remains hidden. Financial institutions have always spent a great deal of money on security, even though many of them do not deal directly
with cash. The reason is because cash is not always their most valuable asset, documents are, and they are willing to spend whatever it takes, to protect those documents from public view. The only way regulators and law enforcement have access to those documents is by subpoena after filing a lawsuit.

If it were not for insiders like Sherry Hunt or Lynn Szymoniak, willing to come forward and risk their reputations in order to expose the truth, much of what we have learned about the fraud and abuses that ran rampant in America’s financial institutions, would never have been discovered. When the American public learned of those abuses, they immediately wanted those guilty of wrongdoing punished with heavy jail sentences. Unfortunately, this would not happen due to several barriers to prosecution, some of which are listed below.

- It took several years for many of the fraudulent practices to come to light because resources are extremely limited when it comes to fighting White Collar Crime. Law enforcement must always make a choice about where their money should be spent, and more often than not, violent crime wins out.

- There is the perception that bad guys carry guns and commit violent street crime, they don’t attend Ivy League universities and wear expensive Brooks Brothers suits. Getting a jury to convict a white collar criminal, who often times is a high level executive and looks just like them, is a challenge for prosecutors.

- Large financial institutions can afford to hire top-notch legal counsel. These attorneys are paid more than $500 dollars per hour to deploy tactics to stall legal proceedings when lawsuits are filed against them. As stated earlier, prosecutors have limited resources so many times they negotiate a plea deal which doesn’t include jail time, only fines and/or penalties to fast tract the legal process to save the taxpayers money.
Financial service firms hired powerful lobbyist to ensure the status quo remained and pushed for financial remedies that did not involve jail sentences.

ACT IV – THE AFTERMATH & RECOVERY

XI. LEGISLATION

As the gravity of what had transpired during the housing downturn came to light, there was a cry from all over America insisting that something must be done to ensure homeowners would never be put at risk again. Constituents reached out to their local politicians as well as Washington elected officials to express their outrage and to find some answers. This put many politicians in an impossible position, because they knew they were tied to many of the Wall Street firms accused of improper conduct, but they also knew, they could no longer ignore the complaints of the people that had voted them into office.

Listed below is legislation that has been enacted after the housing crisis as well as other legislation that strictly prohibits fraud or deceptive practices in the housing industry.

A. Dodd-Frank

The Dodd-Frank Consumer Reform Act of 2010 (“Dodd-Frank”), named after Senator Christopher Dodd from Connecticut and Congressman Bernie Frank from Massachusetts, is legislation signed into law by President Obama and enacted as a response to the Financial Crisis that devastated so many Americans.

The legislation covers a wide range of economic areas that Congress and the American public believed was the root cause of the underlying problems which allowed the financial and housing
markets to collapse including banking, insurance, rating agencies and mortgage servicers. The areas of focus include:

- Liquidity Requirements for Financial Institutions
- Reporting Requirements
- Financial Disclosures
- New Consumer Protections

The legislation has been met with a great deal of criticism from both proponents as well as those in opposition to the new mandates. The critics say the legislation goes too far and puts an unjust financial strain on businesses, while others believe the legislation doesn’t go far enough and should have additional regulatory requirements. My research shows there are elements of truth to both sides of this argument.

**Arguments For:**

- The “Too Big to Fail” provision mandates that banks are now required to pass liquidity tests, to ensure their solvency, reducing the chance of a future bail out by the government.
- Imposed stricter rules and mandated new reporting requirements and disclosures around selling mortgage-backed securities and other highly speculative securities.
- The creation of the CFPB (See section B below), which put in place a new set of rules to protect consumers from fraud and abuses.

**Arguments Against:**

- The legislation puts undue financial burdens on organizations that must hire new staff to keep up with new procedures and reporting requirements.
- Some opponents say banks were still gambling by trading highly speculative securities and Dodd-Frank does not have provisions to stop this from happening.
• There are still significant loopholes in the regulation that allows banks to move money overseas to buy risky investments.

• The law does not address fixing the credit rating agencies, which were exposed to be complicit in carrying out some of the massive fraud perpetrated by the banks.

• None of the executives that took part in the fraudulent schemes went to jail. Without holding people accountable, it will surely happen again.

B. CFPB

For the purposes of this discussion, I will focus my efforts on the portions of Dodd-Frank that affects changes in the housing industry; in particular the newly created Consumer Financial Protection Bureau (“CFPB”)\(^\text{34}\). This new agency was created as the result of the countless number of stories of consumers that have been misled or taken advantage of during the housing crisis. Consumers trusted their mortgage holder to do the right thing and treat them fairly, but all too often this was not the case. There was even a general consensus that mortgage servicers deliberately posted mortgage payments late so they could add on additional late fees. Another tactic was to misplace homeowner’s insurance information in order to use their own “forced-placed” insurance policies which were much more expensive than their normal policy. This too generated additional fees for the financial institution at the expense of the consumer.

According to the CFPB, their mission is “is to stand up for consumers and make sure they are treated fairly….by enforcing federal consumer financial laws and by holding financial service providers accountable for their actions”. Besides the enforcement mission, they also send warning letters to companies that are in violation of CFPB rules and provide a structure for whistleblowers to come forward and report wrongdoing by their employers.

\(^{34}\) Jobs and the Economy, The Whitehouse, Wall Street Reform; The Dodd-Frank Act, Obtained from https://www.whitehouse.gov/economy/middle-class/dodd-frank-wall-street-reform.
C. Real Estate Settlement Procedures Act (“RESPA”)

This important legislation comes from Regulation X of the Securities Act of 1934, 12 US Code 2601. This law was passed in 1974 to protect consumers from hidden costs associated with the purchase of real estate. It contains mandatory disclosures that must be presented to the consumer prior to final settlement. The Department of Housing and Urban Development (“HUD”) is the governing body for RESPA. In 1990 a significant amendment was made to RESPA titled The National Affordable Housing Act. It addressed transfers, sales and assignment of loans, and disclosure of escrow accounts at closing and annually going forward.

XII. LIGHT AT THE END OF THE TUNNEL

A. Housing’s Improving Numbers

The housing crisis hit the warm weather states such as Nevada Florida and California, especially hard because the real estate boom disproportionally effected them. Home prices soared in those states a whopping 264% from 1998 to 200635. It’s clear from Table 3 below, foreclosure rates in 2016 have fallen sharply from the rates in 2008, which is an encouraging sign for the health of the real estate market. Nevada, for example, had more foreclosures than any other state, effecting 1 in every 14 households, compared to today’s decreased numbers of 1 in every 845 households.

35 Chain of Title, Dayen, 2016, Page 1.
Table 3 – Comparison of States with Highest Foreclosure Rates 2008 vs. 2016

<table>
<thead>
<tr>
<th>State</th>
<th>May 2008</th>
<th>State</th>
<th>May 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nevada</td>
<td>1 in 14</td>
<td>New Jersey</td>
<td>1 in 558</td>
</tr>
<tr>
<td>Florida</td>
<td>1 in 22</td>
<td>Maryland</td>
<td>1 in 690</td>
</tr>
<tr>
<td>Arizona</td>
<td>1 in 22</td>
<td>Delaware</td>
<td>1 in 711</td>
</tr>
<tr>
<td>California</td>
<td>1 in 25</td>
<td>Florida</td>
<td>1 in 734</td>
</tr>
<tr>
<td>Colorado</td>
<td>1 in 42</td>
<td>Nevada</td>
<td>1 in 845</td>
</tr>
<tr>
<td>Total U.S.</td>
<td>1 in 54</td>
<td>Total U.S.</td>
<td>1 in 1,310</td>
</tr>
</tbody>
</table>


The improving housing numbers from Table 3 does not necessarily mean homeowners are better off financially. It could be one of the lasting effects of the housing crisis, massive foreclosures which drove home ownership down. These former homeowners destroyed their credit through the foreclosure process and had to resort to renting or living with family or friends. These unfortunate circumstances caused a spike in the rental market.

There is no doubt the housing crisis left its mark on the U.S economy and the recovery has been slow. Shockwaves from these devastating events would not be easy to overcome, and would be felt for years in the future. Signs however point to improvement and by 2014/2015, the economy was started to rebound. For the first time since 2006 home prices rose by at least 5% in 20 major cities.\(^{36}\)

B. Loan Modification Programs

As a way to help the millions of distressed homeowners that found themselves either under water in their mortgages or on the verge of foreclosure, in 2009 The Obama

administration created two programs administered by the U.S. Treasury, using TARP funds.

- **Making Home Affordable Program (“MHA”)**

This program is the largest and best-known aid program, and has helped people that needed relief from their mortgage burden. MHA consists of several initiatives including The Home Affordability Modification Program or “HAMP”. This program can reduce the interest rate, extend the loan maturity date, reduce the principle balance, or a combination of all three. These modifications can reduce the loan to a manageable level and allow the homeowner to ward off foreclosure and stay in their homes.

- **Hardest Hit Fund (“HHF”)**

This program sets aside funds to help states that were hardest hit by the housing crisis. As described in Table 3 in of this report, these states tend to be warm weather states such as Florida, Texas, Arizona, Nevada, New Mexico and California.

**XIII. BUYER BEWARE**

**A. Mortgage Rescue Scams**

Experiencing the shame of becoming a victim of mortgage fraud is bad enough, but the sad reality is some homeowners were victimized a second time, when fraudsters offered to help them with mortgage rescue scams. These companies exploit homeowner’s desperation and fear, by offering them unrealistic solutions to their mortgage problems. These insincere opportunists step in, and make promises they have no intention of keeping, for large non-refundable fees.

Some of these companies have reputable sounding names, intentionally made to sound similar to reputable law firms or government programs. I found the following two examples by performing a Google search:
The following list contains some common characteristics of mortgage rescue scams:

- They tell the homeowner to stop paying their mortgage to their lender and instead pay them directly.
- They claim there have access to special government programs to help reduce their mortgage.
  It’s worth noting here; there are indeed special government loan modification programs available to some delinquent homeowners, but these programs are free and there is no need to pay for a third party.
- Some of these fraudsters tell the homeowner they should sign over the deed to them until the foreclosure is “straightened out”. They are advised to stop paying their mortgage and pay rent to the fraudster instead. The homeowner goes through with this believing they are leasing their home from the fraudster, who will then sell the house back to them at a later date. Of course this future sale date never comes and the homeowner is left without a home and without additional money.

B. Credit Repair Scams

Similar to the mortgage rescue scams, credit repair scams play on a person’s desire to get out of debt and have a fresh start. After foreclosure, homeowner’s feel broken. They have ruined the credit score and financial security they’ve worked so hard to achieve and it may take years for them to move forward.

After some time had passed and the foreclosure process has ended, homeowners are finally ready to reach out for help. They are met with an onslaught of fraudsters disguised as financial advisors offering solutions to all of their money troubles. The basic fraud scheme tells
the consumer they no longer need to worry about creditors, and the credit repair counselor will handle everything; for a fee. These claims to fix someone’s credit will ultimately be exposed as a fraud, but not until they unfortunately are scammed for the second time.

XIV. CONCLUSION

It is an unfortunate reality that fraud occurs in all areas of American life, as demonstrated in the examples of occupational and institutional mortgage fraud described above. These examples also show fraud can have devastating effects on the economy, the community, and the well-being of homeowners that were directly affected. What makes mortgage fraud such an especially cruel scheme, are the consequences that can alter a family’s future from bright and optimistic, to dark and uncertain.

The high stakes and risky behavior of Wall Street investors gambled with America’s future; with devastating consequences. This systemic fraud was widespread and involved lenders, attorneys, mortgage servicers and appraisers. Although some of the misdeeds that were carried out during the housing crisis cannot be undone, and mortgage fraud will never be completely eliminated, there are certainly lessons that can be learned by the government, homeowners, and lending institutions, to ensure a housing crisis never happens again.

A. Lessons Learned

- **Years of housing price increases in not always a good thing.** At some point the housing market will correct itself causing prices to fall sharply, because increases such as these are simply unsustainable.

- **Homes should not be looked upon as a family’s only investment.** This is an outdated and dangerous way of thinking. This strategy may have worked for someone who purchased their home before the mid-eighties, but more recent events have shown that the housing market is
unpredictable and cannot be relied upon to provide a good return on investment. When investments are tied to residential real estate, there is more at stake than just financial well-being. This is a home with emotional attachments.

- **Homes should be viewed as liabilities, not assets.** If more people realize that a home is a liability that demands a great deal of resources to maintain, less people would find themselves in homes they cannot afford. The reality that property taxes, insurance and maintenance must continue even if homeowners lose their job, should not be forgotten.

- **Bigger is not always better.** Bigger homes, mean bigger expenses which may over time become unaffordable.

- **Selling your home is not always an option.** This was a sad and costly lesson learned by many homeowners who mistakenly believed that when their financial resources dried up, they could simply sell their homes. Homeowners soon learned; this was not always the case because the housing market does not always allow for a quick sale. In addition, there were obstacles such as passing inspections, and making major repairs due to years of neglect, before they could sell the property. For cash-strapped homeowners, these additional expenses were an impossible barrier. In addition, neighborhoods became less desirable as more and more homes had foreclosure signs in their yards, or contained abandoned homes with boarded up windows.

- **If something sounds too good to be true, you probably should walk away.** It’s difficult for people to pass up on what they perceive as a “good deal” however, as we’ve seen in the forged documents and mortgage rescue scams described above, not everyone is dealing in good faith and looking out for your best interests.
XV. REFERENCES


Swanson, J. (N.d.). *Foreclosures at 5 year Low in 2013* (n.p.). *But Some States Still Increasing*, Retrieved June 18, 2016 from 

The Department of Housing and Urban Development. (2016, June 3). *RESPA* (n.p.). 
Retrieved from 


What is a Bond Rating? (N.p.) Bond View, n.d. Retrieved June 1, 2016 from 
https://www.bondview.com/articles/what_is_a_bond_rating.

Your mortgage documents are fake! (n.d.). Retrieved June 06, 2016, from 
http://www.salon.com/2013/08/12/your_mortgage_documents_are_fake/.