

# ForeclosureGate: “Sloppy Paperwork” or “Push Button” Financial Fraud?

By [Washington's Blog](#)

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## **Foreclosure Expert Confirms Mortgages Pledged Multiple Times, Not Actually Securitized, Document Problem Is Really a System of “Push Button Fraud”**

Yesterday, I [showed](#) that mortgages were fraudulently pledged to multiple buyers at the same time.

Today, foreclosure expert Neil Garfield (former investment banker, trial lawyer and board member of several financial institutions) [confirms](#) this, explains that the loans were not actually securitized, and the whole “sloppy paperwork” excuse is really an attempt to explain away a system of push-button fraud:

The game was to move money under a scheme of deceit and fraud. First sell the bonds and collect the money into a pool. Second take your fees, third take what's left and get it committed into “loans” (which were in actuality securities) sold to homeowners under the same false pretenses as the bonds were sold to investors. By controlling the flow of funds and documentation, the middlemen were able to sell, pledge and otherwise trade off the flow of receivables several times over — a necessary complexity not only for the profit it generated, but to make it far more difficult for anyone to track the footprints in the sand.

If the loans had actually been securitized, the issue would not arise. They were not securitized. This was a mass illusion or hallucination induced by Wall Street spiking the punch bowl. The gap (second tier yield spread premium) created between the amount of money funded by investors and the amount of money actually deployed into “loans” was so large that it could not be justified as fees. It was profit on sale from the aggregator to the “trust” (special purpose vehicle). It was undisclosed, deceitful and fraudulent.

Thus the “credit enhancement” scenario with tranches, credit default swaps and insurance had to be created so that it appeared that the gap was covered. But that could only work if the parties to those contracts claimed to have the loans. And since multiple parties were making the same claim in these side contracts and guarantees, counter-party agreements etc. the actual documents could not be allowed to appear nor even be created unless and until it was the end of the road in an evidential hearing in court. They used when necessary “copies” that were in fact fabricated (counterfeited) as needed to suit the occasion. You end up with lawyers arriving in court with the “original” note signed in blue (for the desired effect on the Judge) when it was signed in black — but the lawyer didn't know that. The actual original is either destroyed (see Katherine Porter's 2007 study) or “lost.” In this case “lost”

doesn't mean really lost. It means that if they really must come up with something they will call an original they will do so.

So the reason why the paperwork is all out of order is that there was no paperwork. There only entries on databases and spreadsheets. The loans were not in actuality assigned to any one particular trust or any one particular bond or any one particular individual or group of investors. They were "allocated" as receivables multiple times to multiple parties usually to an extent in excess of the nominal receivable itself. This is why the servicers keep paying on loans that are being declared in default. The essential component of every loan that was never revealed to either the lenders (investors) nor the borrowers (homeowner/investors) was the addition of co-obligors and terms that neither the investor nor the borrower knew anything about. The "insurance" and other enhancements were actually cover for the intermediaries who had no money at risk in the loans, but for the potential liability for defrauding the lenders and borrowers.

The result, as anyone can plainly see, is that the typical Ponzi outcome — heads I win, tails you lose.

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So the paperwork was carefully created and crafted to cover the tracks of theft. Most of the securitization paperwork remains buried such that it takes search services to reach any of them. The documents that were needed to record title and encumbrances was finessed so that they could keep their options open when someone made demand for actual proof. The documents were not messed up and neither was the processing. They were just keeping their options open, so like the salad oil scandal, they could fill the tank that someone wanted to look into.

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