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The Securitization Scam: Foreclosures and the Mortgage Electronic Registration Systems (MERS)

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The foreclosure crisis has set its sights on MERS, the Mortgage Electronic Registration Systems, which files almost all of the foreclosure actions in behalf of lenders. The problem never anticipated by lenders is that the company has no legal standing to do such things. In addition they broke the law by not requiring a notarized document of transfer of title signed by the seller and buyer. That is because they did not own the loans. Only the owner of the loan can file. Thus, many of the titles are now subject to fraudulent conveyance. This means that foreclosure proceedings could be subject to legal challenge. Another question is could the foreclosures done since 2007 be nullified? How could a settlement be arrived at in a few months when there are millions of homeowners involved. The banks, which obviously deliberately broke the laws, will be responsible for fines and settlement with injured parties could cost them more than $10 billion. While this scenario moves forward the banks still are acting like goons and violating laws, to get people out of homes.

The question is who has the loan paper and that is the note-holder. He or they are the only ones with legal standing to request a court to foreclose and evict. That all changed with the coming of MBS, mortgage backed securities. Loans were bundled into tranches or REMIC's, a vehicle designed to hold the loans for tax purposes. These mortgages were cut into bits and pieces to satisfy the different tastes and needs of investors. During this process the note was not signed over to the bondholders, because the mortgage may have been split into pieces and no one could know which part would default first. Therefore the MBS held the note.

The MERS system was a bridge and repository for these mortgages, a shadow holder owned by lenders and Fanny Mae and Freddie Mac. The system located mortgages and was involved in the altering of mortgages. The upshot was a broken chain of title. When that happens the mortgage note is no longer valid. The borrower does not know who to pay and so pays no one. Then come the foreclosure mills and that led to falsification of documents to assist the lender, which is fraud. These actions expedited foreclosures and evictions and that was all the lenders were interested in.

There is no question a massive fraud took place. It was identified by the title insurance companies who the lenders are trying to blame this criminality on. The result was the banks went around the title insurance companies and used foreclosure mills, when the title companies wouldn't play ball.

The banks terrified that they had gotten caught tried to ram through Congress the Interstate

Recognition of Notarizations Act to protect themselves and their criminal acts. The scum in the Senate and House used voice votes to pass the bill and because of the massive complaints the President pocket vetoed the measure. He also knew the bill would have been identified as unconstitutional.

The bottom line is the banks had no legal right to foreclose and evict. That means the evicted can get their homes back. The new buyers are screwed because they have no legal standing because the banks sold them a house they did not own. The fraud committed by the foreclosure mills, at the behest of the banks, puts all foreclosures into question and even the status of those homeowners who are currently paying mortgages. That means if homeowners all stop paying their mortgages, they could end up owning their homes.

This is a mega crisis far bigger than Bear Stearns and Lehman, but not as big as what we will see in the future when the CFTC, LBMA, Comex, GLD and SLV are taken down in their gold and silver scam.

The heart of these criminal acts is anchored in securitization and the scam that it was. We have been demanding criminal action for three years and no one will listen. It was only recently that civil suits have been entered into. We don't get it. Do we still have a legal system?

This problem can only worsen the problems in the housing sector. About half of homebuyers really qualify to own homes. False appraisals on about 50% of homes littered the landscape just two years ago. Half of the first-time homebuyers didn't even buy homes, which cost the taxpayers about $15 billion. Inventory over hang is now in the realm of years not months, as homebuilders continue to increase new homes at the rate of 600,000 a year. What can they be thinking of with a further 20% correction ahead? Foreclosures are now 1 in 12 of all mortgages. Four years ago it was 1 in 100. For sure home prices have not bottomed.

It could be the mortgage market is dead and all the bondholders are sunk. If that is the case the financial structure is close to collapse.

We were in the brokerage industry for years and we never saw such criminality. The banks that pulled this off are virtually unregulated.

Some writers believe there will be hundreds of billions in losses and they are correct, unless the government and the Fed bail them out.

Then there are the subprime and ALT-A loans issued over the past two years that are beginning to be reset. Half will go under and Fannie and Freddie guaranteed those loans. This will put further downward pressure on housing prices.

All in all it looks terrible and we see no easy way out. Is it any wonder investors are buying gold and silver bullion, coins and shares.

You cannot tell the players without a program. That fits perfectly in all endeavors, particularly journalism. Last week in the FT Martin Wolf wrote apiece titled "why America is going to win the global currency battle." What he forgot to tell you is that he is a member of the Bilderberg Group, whose mission is a One-World bank and government.

The plan according to Fed Chairman Ben Bernanke is for the Fed to continue purchases of

Treasury debt and to allow further monetization, which means higher inflation. He tells us inflation officially is too low and unemployment is too high. He doesn't see either changing much. We believe both are headed higher.

The global currency battle has been going on for years – it's just it was almost never discussed. The US was happy to tolerate deliberately misaligned, depreciated currencies because it kept US inflation down and foreigners continued to buy US debt, no questions asked. Obviously things have changed.

The monetization is supposed to promote stability, job growth and to conquer deflation. Mr. Wolf says, "To put it crudely, the US wants to inflate the rest of the world, while the latter is trying to deflate the US." Mr. Wolf believes the US must win, since it has infinite ammunition in a machine that can create money and credit endlessly. Just a minute, if the IF does that, it most certainly will lead to hyperinflation, where no one would want the US dollar. Europe and China want deflation. The problem is if that happens the entire system will collapse. They obviously want to get the problem over with and have a depression. The US obviously is not ready for that, because it would dethrone the dollar as the world reserve currency, a condition that would cost America its imperial status. We find it of interest as well that the US is encouraging further debt among US and foreign consumers to offset trade imbalances, when they know the results in Japan over the last 18 years following such a policy was unsuccessful if not disastrous. Presently, they are again trying to push that upon Japan and China as well – the same old unsuccessful Keynesianism.

China already has its own credit bubble, distortions, imbalances and inflation having mimicked the US model. In spite of higher interest rates, speculation and inflation are at high levels.

In the US QE1 did not work and create recovery on a permanent basis and it impaired the economy. All the money and credit created by the Fed ended up in the financial world with little ending up in the real economy. That is why unemployment has again risen to 22-3/4%. Again, policies since August 15, 1971 have created continual inflation and distorted patterns throughout society. It was good while it lasted, but the game is in the process of coming to a close. Other nations realize the US is trying to export inflation and are in the process of erecting barriers to keep large amounts of dollars out of their economies. This in part has put downward pressure on the dollar recently and it will continue to do so. The US has become like a pressure cooker spewing dollars all over the world with inflation in its wake. As a result over the last year foreign central banks, with large dollar balances, accumulated larger balances trying to keep the value of the dollar steady, as others were sellers. They must feel like the Dutch Boy with his finger in the dyke. That, of course, is not the answer.

You cannot indefinitely aid and abet a flawed policy, even though that policy allowed you to live far beyond your means. These inflationary pressures emanating from the US cannot be managed and other nations have realized this and that is why this weekend the G-20 is meeting in S. Korea to try to bring an end to currency warfare. We believe the meeting will be another non-event.

Not only are these US policies creating inflation worldwide, but also they are in part responsible for the increases in gold, silver and commodity prices. A battle has been in progress for the past 18 months – the dollar verses gold. In spite of a dollar rally gold has won hands down and the world doesn't realize it yet and probably won't for some time to come. There is much less confidence in the US dollar and as long as we have quantitative easing and inflationary expansion, the confidence will deteriorate. The dollar is no longer king. Gold has assumed its position. That is why currency without gold backing is doomed to failure. It is not only privately owned central banks, but government owned ones as well. The temptation to create money and credit is too great. That is why gold backing has always been necessary. If we didn't have fiat currencies we wouldn't have an over-liquefied, speculative financial world. Nor would we have booms and busts to enrich the rich on Wall Street. The ability to recycle our excesses through global currency markets and back into our markets is coming to an end. Foreigners want an edge. They are deliberately reducing the value of their currencies, which is an exercise in futility at this point in the cycle. All that will do is add to the dollar inflation already having descended on these economies. All they are doing is trying to successfully function within a dying system.

The US economy cannot live without stimulus. The inflation created by this policy is not going to be allowed to be dumped into other countries, and as a result will manifest itself in the American economy. The risk of holding dollars increases with each passing day. Dollar weakness will cause foreigners to dump dollars back into the US economy, keep its own currency low and push these nations to accumulate gold as they are currently in the process of doing. The day of reckoning for the dollar is in process and it is going to be very unpleasant for dollar holders.

As that transpires labor supply rose 137,000 and jobs only rose by 64,000. The workweek was unchanged at 34.1 hours, as were wages, as inflation continued to rise. Job openings were up but hiring was down. Full-time jobs fell 106,000 and were off 4 months in a row. Part-time workers rose 353,000, the largest increase in 8 months. Discouraged workers leaving the economy rose 9% to a record high of 1.2 million. All of this culminated in a U6 figure of 17.1% unemployment. If the birth/death ratio is removed real unemployment is 22-3/4%. All in all there is no good news on the employment front. It is difficult to improve conditions when businesses are trying to make 25% of their jobs part-time of contract labor, to escape paying benefits.

Late comment on Foreclosuregate is that, the longer this lasts, the worst it will be for the banks, title insurers and mortgage insurers. The 30% of sales activity in foreclosures over the past three months will end and real estate prices will continue to fall. As an addendum we find 32% of the household sector have a sub-620 FICO score, which to an extent limits the number of buyers.

The purchase index was not encouraging being off 50% annualized with purchases off 37%. Of total loans 82.4% came from refis – close to two-year highs.

Since August 19th, the Fed has purchased $40 billion in government bonds, as foreigners bought $117 billion.

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