

Housing Crisis

After President Obama settled the question of the stimulus (The stimulus didn't end the recession, but successfully prevented another Great Depression), he turned his attention to housing. With many millions of homeowners underwater on their mortgages or having difficulty keeping up payments on them, Representative Boehner of the Republican Party asked:

“Does your plan compensate banks for the bad mortgages they should never have made in the first place?” Mr. Boehner asked. “Will individuals who misrepresented their income or assets on their original mortgage application be eligible to get taxpayer-funded assistance?” [1]

Obama had already shown he was sensitive to criticism concerning perceptions of excessive government spending and had acquiesced in reducing his stimulus proposal from \$1.2 trillion to a little under \$800 billion. An essential problem with that approach however, was and is that criminal fraud plays a very substantial role in the housing crisis.

Up until August 2011, all 50 State Attorney Generals were negotiating with five banks (Ally Financial, Bank of America, Citigroup, J.P. Morgan Chase, and Wells Fargo) that were accused of “robo-signing” documents and conducting illegal home seizures. In that month, New York Attorney General Eric Schneiderman decided to oppose what he felt was Treasury Secretary Timothy Geithner's undue haste in trying to get a settlement and to instead pursue criminal charges against the five banks.



This month, Schneiderman accused Bank of New York Mellon, the 11th-largest U.S. bank by assets, of "[repeated fraud and illegality](#)" when it came to its actions as a trustee for various mortgage securities, and he accused Bank of America of [fabricating missing documents when](#) foreclosing on some homeowners who defaulted on their mortgages. [2]

Other State Attorney Generals have followed Schneiderman off of the settlement group. By October, the blatant illegality of what the five “robo-signing” banks were up to was becoming really plainly obvious:

A Florida lawyer says financial institutions, trying to rush through thousands of home foreclosures, hired hair stylists, Walmart floor workers and former assembly line employees to work as the "foreclosure experts" that have come to be known as robo-signers.

[...]

The testimony is from 150 robo-signers -- so called because some of them signed as many as 10,000 affidavits a month. [3]



By November 2011, three other State AG's had left the group and the Obama Administration's responses were becoming increasingly unsatisfactory:

To date, the Obama administration has attempted a seemingly endless number of programs designed to prevent foreclosures and heal the housing market. Each has been introduced with great fanfare and as an innovation that will not suffer from the failures of the previous program. Each has then failed. [4]

One of the casualties of the foreclosure crisis in late 2011 was a firm that threw a Halloween bash in which employees dressed up as people who had lost their homes. [5] Thankfully, the firm went bankrupt three weeks later.



In December, the State AG's that were still part of the national settlement was only 43 as the number of drop-outs was now seven. Still more illegality had been uncovered:

A criminal investigator for the Nevada Attorney General's office said that out of tens of thousands of documents from LPS that his investigation of the fraud examined, an overwhelming majority seemed suspicious.

"It's hard to find [a document] that you wouldn't be suspicious of," the investigator said, adding that legitimate documents from the company seemed to be the exception instead of the rule.

It wasn't just the signatures that were fraudulent. According to the investigator, some of the forged documents contained information that had not been verified by those signing them. This sometimes led to the wrongful foreclosure of houses because of the inaccuracies [sic]. [6]

“One out of every 69 homes in America received a foreclosure filing last year,” and with “[newly aggressive Attorneys General investigating](#), and a new [Occupy Our Homes movement](#) raising awareness of the crimes, I [FireDogLake blogger David Dayen] think that the prediction of a resolution to processing problems will be just as shortsighted as ever.” [7]

Foreclosures have been a very serious problem, but much worse is down the road. “Foreclosures were in full delay mode in 2011,” which means that “only” 804,000 homes were repossessed and “foreclosure filings [jumped 21 percent](#) in the third quarter of 2011,” meaning that banks are clearing up their procedures and clearing their decks for many, many more foreclosures. We're expecting foreclosures to jump even further in 2012. [8] “the New York Federal Reserve anticipates that [3.6 million foreclosures will occur](#) in the next two years.” [9]



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1. <http://www.nytimes.com/2009/02/19/business/19housing.html>
 2. http://www.huffingtonpost.com/2011/08/23/new-york-attorney-general-eric-schneiderman_n_934517.html
 3. <http://www.businessweek.com/ap/financialnews/D9IQE80O1.htm>
 4. <http://www.newdeal20.org/2011/11/08/how-to-prevent-a-housing-recovery-accept-a-46-state-mortgage-fraud-settlement-63944/>
 5. http://tpmmuckraker.talkingpointsmemo.com/2011/11/homeless_halloween_firm_goes_under.php
 6. <http://news.firedoglake.com/2011/12/09/court-cases-revealing-massive-fraud-in-mortgage-business/>
 7. <http://news.firedoglake.com/2012/01/13/bank-of-america-sinking-may-pull-out-of-geographic-regions/>
 8. <http://thinkprogress.org/economy/2012/01/12/403011/foreclosures-low-four-years/>
 9. <http://thinkprogress.org/economy/2012/01/13/404286/new-york-fed-foreclosures/>