

The foreclosure fraud settlement: An amnesty for Wall Street criminals

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Last Thursday, the Obama administration announced its latest windfall for Wall Street—a settlement of charges of rampant law-breaking committed by major banks in their rush to foreclose on families and seize their homes.

The agreement, largely dictated by the perpetrators, quashes investigations by state governments that threatened to expose a cesspool of corruption and crime. It frees the banks from future prosecution or financial liability for forgery, lying to the courts and illegally evicting homeowners.

In return, the firms—Bank of America, JPMorgan Chase, Citigroup, Wells Fargo and Ally Financial—are required collectively to pay a relative pittance in cash (\$5 billion) to the states and the federal government and allocate \$20 billion more, over three years, to ease the terms for a small fraction of the 11 million homeowners who owe more on their loans than their homes are worth.

Not a single family whose home was seized (4 million since 2007) will get a new house. Instead, an estimated 750,000 foreclosed homeowners will receive a check for \$1,500 to \$2,000, if they can show that they were improperly evicted. This derisory sum—assuming it is ever paid out—provides a measure of the contempt of the banks and the government for working people.

In what has become his trademark, Obama presented this amnesty for lawlessness and predation by the financial aristocracy as a boon to the people. He called the deal a “landmark settlement” that will “speed relief to the hardest-hit homeowners.”

“Today’s settlement,” he declared, “is all about ... standing up for the American people, holding those who broke the law accountable...”

As always, Obama proceeds from the assumption that the American people are infinitely gullible and suffer from collective amnesia. Since coming to office,

Obama has done nothing to halt foreclosures or provide relief for distressed homeowners.

When the scandal over “robo-signing” and forged foreclosure documents erupted in the fall of 2010, the 50 state attorneys general launched a coordinated investigation. Some called for a halt in foreclosures to prevent families from being illegally thrown out of their homes.

The Obama administration vociferously opposed this demand and privately urged the banks to speed up the foreclosure process in order to clear out the backlog of non-performing mortgages that was depressing the housing market. With financial stocks plunging and fears mounting that the banks would be unable to withstand untold billions in damages from private and state lawsuits, the White House intervened to preempt any serious investigation and block a public airing of the crimes.

It spent 16 months in secret talks with the banks and attorneys general, devoting most of its efforts to bullying recalcitrant states to drop their own lawsuits and join a federal-state settlement favorable to Wall Street. The result was the deal announced Thursday.

The administration’s role in the foreclosure scandal is an extension of its single-minded focus since taking office on protecting the interests of the financial oligarchy. The assembly-line forging of foreclosure documents was itself the outcome of the practices that produced the housing collapse and foreclosure crisis in the first place.

Between 2004 and the Wall Street crash of 2008, the banks lured millions of Americans into overpriced sub-prime mortgages, often involving low “teaser” interest rates that jumped sharply after a set time. Wall Street knew full well that the loans could not be repaid. It was a colossal Ponzi scheme, and as in all such schemes, the perpetrators were intent on milking the

racket for as long as possible. The major banks proceeded, moreover, with full confidence that, in the end, the government would step in to cover their losses.

The toxic loans were bundled, securitized and sold, creating a massive structure of debt resting on fraudulent and legally dubious foundations, from which bank executives and top shareholders secured dizzying levels of personal wealth. When the Ponzi scheme collapsed, the federal government bailed out the banks to the tune of trillions of dollars. As a result, the banks are now flush with cash and their executives and big shareholders are richer than ever.

In their rush to sell predatory home loans and turn them into instruments for financial speculation, the banks and mortgage companies paid little attention to trifles such as documentation. As a result, when the housing bubble burst and mortgages began to default en masse, there were no reliable records and no way for the banks to even establish their claim to ownership of the homes they wanted to foreclose.

Two government investigations into the financial collapse—one by the Financial Crisis Inquiry Commission and the other by the Senate Permanent Subcommittee on Investigations—have produced thousands of pages detailing fraudulent practices by the banks and the collusion of the rating agencies and federal regulators. These reports have remained dead letters. Not a single high-level Wall Street executive has been criminally prosecuted, let alone sent to jail.

With the blessings of the Obama administration and the entire political establishment, the speculation and swindling continue unabated, sowing the seeds for an even more cataclysmic financial crash and depression.

This culture of blanket impunity is the hallmark of a decaying aristocratic society. The corporate and financial elite is so embedded in criminal activity that the issue of responsibility cannot even be broached, for fear that it will begin to unravel the entire stinking edifice.

Only the mass mobilization of the working class in opposition to the Obama administration, the two big business parties and the corporate-financial elite can halt the evictions and provide relief for the victims of the mortgage racket. The Wall Street criminals must be investigated and tried, their ill-gotten fortunes seized and the money put toward the creation of affordable housing for working people.

All those victimized by the mortgage lenders and banks must be made whole.

The Socialist Equality Party insists that access to decent housing is a social right. We call for the restructuring of all mortgages to affordable levels, indexed to income and employment status. As our program states: “The right to decent housing for all can be assured only by placing the home building and financing industry under public ownership and pouring hundreds of billions of dollars in public funds into the construction of new homes and apartments and the renovation of existing buildings.”

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