TIMMEH GEITHNER TO HOUSE OF REPRESENTATIVES: FUCK OFF AND DIE

A month ago, Brad Miller and a dozen other Congressmen — including House Financial Services Committee Chair Barney Frank — wrote the Financial Stability Oversight Council to ask that they look into the systemic dangers of foreclosure fraud. The letter requested that three very specific things be included in upcoming stress tests and overall consideration of the systemic threat this represents to the economy:

1. Examine random collateral loan files to see if they include all required documents, notably the note, the mortgage, and documents recording the assignment of the mortgage
2. "Examine the servicing of first mortgages by servicers that hold second liens … [as some people contend] there is an indefensible conflict of interest for servicers of securitized first mortgages to hold second liens on the same property"
3. Consider using the authority of Dodd-Frank to "require that financial companies divest affiliates or other holdings involved in servicing securitized

> mortgages”

Timmeh Geithner just responded to that letter. His response makes it clear he actually read Miller’s letter — because he references the first item I’ve laid out above, though rather than actually respond to **that** request, he describes what the FSOC is actually doing instead of examining collateral loan files. His response to the second and third requests is even more insolent; he refuses to even repeat the second one, and rather than consider either one seriously, he just says FSOC will take action “if abuses are found.”

Here is Timmeh’s response to Miller’s request that the Council examine random collateral files:

> With regard to your suggestion of examinations of financial institutions by FSOC member agencies, these reviews are currently ongoing as part of a foreclosure task force formed by the Administration in early September.
>
> [snip]
>
> The main objectives of the task force are to determine the scope of the foreclosure problems, hold banks accountable for fixing these problems, protect the homeowners, and mitigate any long-term effects this misconduct could have on the housing market.

Note that even though Timmeh admits the banksters have engaged in “misconduct,” he makes no mention of holding them legally accountable. Instead, he simply repeats the Administration line that banks will “fix[] these problems.”

But rather than address Miller’s specific request — that investigators look at random collateral files — Timmeh describes how the investigators will examine other things, and then boasts of the (inadequate) number of investigators on the job.

> Regulators are conducting onsite investigations to assess each servicer's foreclosure policies and procedures, organization structure and staffing, vendor management, quality control and audit, loan documentation including custodial management, and foreclosure prevention processes. The task force is also closely reviewing related issues that include loss mitigation, origination put-backs, securitization trusts, and disclosure put-backs.
>
> These examinations are extensive and resource intensive. For example, the Office of Thrift Supervision has approximately 80 examiners on-site at their four servicers, and the Office of the Comptroller of the Currency has 100 examiners at the top eight national bank servicers.

Now granted, some of the things the FSOC is investigating might cover Miller's request. "Loan documentation including custodial management" might get at the issues Miller specifically requested FSOC examine. But Timmeh makes absolutely no promise that these 20 examiners per non-bank servicer or 8 examiners per bank servicer (Really, Timmeh!?!?! You think 8 people can investigate Bank of America's morass?!?!) will actually look in detail at the actual loan files, much less a randomly selected collection of loan files.

That's enough of a non-answer.

But here's how Timmeh summarizes Miller's two other requests.

> You also suggest that the FSOC consider the potential risk associated with the role of large financial institutions in the servicing of mortgages and to consider requiring these firms to divest of their servicing affiliates.

Note what phrase Timmeh doesn't utter there?

"Second lien."

That little matter of the half a trillion dollars in conflicted exposure these banks have, which goes to the heart of the reason this is systemic issue.

In fact, Timmeh doesn't utter the phrase "second lien" anywhere in his letter. It is, apparently, the elephant in the bank vault that shall not be named, for fear Timmeh would have to acknowledge the magnitude of the problem. Timmeh apparently wants to spin the problem of second liens as nothing more than part of the size of the institutions in question, and not the very real conflict of interest that provides motivation for all the foreclosure fraud Timmeh doesn't want to criminally prosecute.

And while Timmeh does use the word "divest," here's his actual response to Miller's description of the very real and very avoidable problem of having the banksters service the loans that threaten to expose their insolvency.

> As you suggest, the Dodd-Frank Act also provides the FSOC, and its member agencies, with a variety of tools to recommend heightened prudential standards and take other remedial actions when necessary for financial stability. With that in mind, the FSOC and its member agencies will remain critically focused on working with the foreclosure task force, and will use all appropriate authorities available to them if abuses are found.

So while Timmeh can manage to at least utter "divest" (unlike his apparent allergy to "second lien"), when push comes to shove, he won't admit that FSOC has the ability to force bankster to divest of a part of their business. More importantly, he envisions using the power granted him under Dodd-Frank (and remember, Frank is one of the recipients of this letter) only “if abuses are found.”

Because it would be too much to ask for Timmeh actually take an obvious proactive move to fix one of the problems weighing down our housing market and with it our entire economy. I guess if he did, he might actually have to think about those second liens he’s refusing to acknowledge.