FREDDIE REPOSSESSES ITS FILES

Fannie Mae and Freddie Mac had already suspended all their work with David Stern. But now they've officially severed all relations with him and Freddie has taken their files away.

> Freddie Mac took the rare step of removing loan files after an internal review raised "concerns about some of the practices at the Stern firm," a Freddie spokeswoman said.
>
> "We have begun taking possessions of all files on Freddie Mac mortgages simply to protect our interest in those loans as well as those of the borrowers," the Freddie spokeswoman said. A Fannie spokeswoman declined to elaborate.
>
> Fannie and Freddie said they will move those files to other law firms in the state but that they hadn't yet identified where they would be redistributed. The firms said they had notified Florida's attorney general about the decision to remove the files and that the Stern firm had cooperated with the action.

Let's see. It's November 2. On October 4, 29 days ago, the former assistant of the woman who oversaw Stern's robosigner division testified that 1) Stern's firm would routinely reclassify Freddie Mac loans as some some other firm's loans when Freddie came onsite for an audit to hide those files from the firm, and 2) sometime in August, Stern reportedly packed up an eighteen wheeler full of documents and took them to an unspecified office in Orlando.

I can't imagine why Freddie would want to take possession of its files, can you?

Problem is, it may well be far too late to prevent Stern from tampering with Freddie's documents. Though it's nice of them to start worrying about protecting the interests of their homeowners.

CITI'S FEAR

I wanted to return to a detail I mentioned in yesterday's book salon. As I noted, in his book on the auto bailout, Steven Rattner described Citi as being worried during the Chrysler negotiations that retail customers would retaliate if Citi played hard ball.

> Bankers for Goldman and Citi had advised [JP Morgan Chase VP and the Chrysler bondholder's lead negotiator] Jimmy Lee to make the best of a bad situation. Privately they felt his brinksmanship was embarrassing and potentially costly. Citi especially wanted to avoid a liquidation. Its analysis showed it would recover no more than 20 cents on the dollar in that instance. Citi also feared losing business in its branches in states like Michigan and Ohio where consumers might blame it for Chrysler's demise. (173)

That didn't make sense to me given that Citi doesn't **have** branches in MI and OH; the closest actual branches are in Chicago. Compare that to Chase, which just took over from Comerica as the biggest bank in MI by deposits and was presumably second at the time of the bailout negotiations. Citi should only fear retaliation from consumers elsewhere, in those urban areas that actually have Citi branches, or they should fear retaliation some other way, presumably through their credit card business. I asked Rattner why Citi was worried, but JP Morgan Chase was not, given its much greater involvement in the auto states. He responded, “Yes, they were definitely worried.”

Frankly, I don’t know what to make of this. Given the context of the claim–in which Goldman and Citi are portrayed as talking Jimmy Lee down from a hardass negotiating position–JPMC appears not to have been sufficiently worried to change its behavior. And the Citi claim doesn’t make sense on its face. Perhaps Citi was worried about something else. Perhaps they were just more worried because they were insolvent? There are a few details he pretty clearly got wrong in his book (such as his claim that Nissan’s consideration of a deal with Chrysler was secret), but this seems instead like one of the abundant examples of where Rattner is an unreliable narrator. Rattner chose to portray Citi as worried (and quickly agree the hard-bargaining JPMC was, too), but it’s unclear whether that was really true or just nice spin on the banks.

What Rattner probably didn’t know was that FDL was trying to increase this worry at the time by encouraging people to take their money out of Chase. That was a mostly unsuccessful effort (let me tell you, Chrysler is no more popular in this country than the big banks) to target the banksters for actions that hurt the communities they’re in.

As unsuccessful as our effort was in terms of numbers, if Rattner-the-unreliable-narrator’s claim has any basis in fact, then our effort to pressure JPMC to behave better worked. Sort of.

Since then, Arianna’s Move Your Money campaign has more successfully advocated for people and institutions to move their money out of the big banks. By April, they claimed $5 billion had been moved. And it does seem like some of the banks are losing market share to smaller banks.

> The largest banks in Michigan are losing market share and Chase Bank now has the most deposits in the state, according to new data released Thursday by the

> Federal Deposit Insurance Corp.
>
> As of June 30, the five biggest banks in Michigan — Chase Bank, Comerica Bank, PNC Bank, Bank of America and Fifth Third Bank — accounted for 55% of all deposits in the state. That's down from 57.3% on June 30, 2009.

I raise all this because of another interesting discussion about whether consumer action might more effectively target the banks. Via Yves Smith, I found this Playboy article on Edmundo Braverman's WallStreetOasis.com's proposal on How to Destroy a Bank (Yup, it appears you have to have a pierced navel and no pubic hair to be a Playboy model these days).

> This article set forth a plan for how consumers could destroy one of America's four largest banks. Customers would deliver a series of escalating threats against Wells Fargo, Bank of America, JPMorgan Chase and Citibank, demanding policy changes. The threats would culminate in a series of flash-mob bank runs that targeted one of the banks.

In a comment in Yves thread, Braverman acknowledged his idea was a thought exercise to take Move Your Money the next step.

> The whole thing was inspired by Arianna Huffington's "Move Your Money" idea. I thought it was a good idea, but not one that would be dramatic enough to produce any changes in the way the banks did business. So I asked myself, "What *would* have an impact on the banks?" and that's when I came up with the Tank-A-Bank plan.
>
> It was always just a thought exercise, and never something I advocated.

Yves seems to be thinking more about this; what can consumers do that won't get them jailed as terrorists but will get us to a point where the finance industry isn't dragging our country down even while stealing our money in the process?

There are a couple of important points in the Playboy article on this. First, there's the insight into the role consumer banking plays in this big scheme.

> A former senior bank officer was horrified by Eddie's plan. "The consumer bank divisions are the ones with the rules," he told me. "They're the ones that help the community. They're the real bankers. Why attack them?" But according to Eddie, the banks are "using their consumer banking customers like human shields." While the investment and commercial segments of a bank are separate, major losses from the investment side could still destabilize consumer accounts. That's a fundamental reason bailouts are needed if catastrophic losses occur. Eddie's plan allows those human shields to mutiny.

That's an important point, it seems to me. The consumer banking stuff isn't big enough to do more than scare a Citi or Chase, it seems to me. But the cowboys in the investment and commercial segments basically use consumer banking as a hostage with which to demand bailouts and freebies. Thus, while moving your money is necessary (in that it rescues hostages before the shooting starts), it's not sufficient to humble the banks.

Then there are a few observations from Bill Black, who notes that the Fed would "hang bags filled with millions of dollars from the teller windows" if consumers rebelled. He also reminds that such a run has already happened:

> He told me that flash-mob runs had already been carried out many times over the past 15 years and on a greater scale

> than Eddie had ever dreamed of. But it hadn't been individuals working together to withdraw their money from consumer banks. It had been investment banks, moving in sync to attack their own. "The current institutions—the banks and broker-dealers and hedge funds and shadow-banking people—already move as organized mobs to take billions of dollars out of institutions in minutes." Black was referring to the rapid trillion-dollar movements out of Long-Term Capital Management, Bear Stearns and Lehman Brothers, movements that occurred when it was rumored these institutions were unstable. "The banks will inevitably do it to each other again," said Black.

While we would never be allowed to exert our power over the banks, the banks themselves have that power and are allowed to use it.

Mind you, I don't know what the answer is. But it does seem that a range of people are looking to other alternatives to fix what the banksters and the politicians refuse to fix.

SOME QUESTIONS ON PRINCIPAL REDUCTIONS

Both Felix Salmon and DDay are arguing that if the banks lower principal on some unspecified set of loans, it'll fix the "mortgage mess." Now, I agree that loan modifications are one of the things we ought to strive for to solve a number of our problems. But I've got questions about what they're proposing.

First, which mortgages do you intend to modify? Just those in foreclosure? If you do that, you're stuck with the same problem modification programs already have: the point is to modify a loan early enough to make a difference for both the homeowner and the mortgage holder.

Would you extend the principal reductions to non-performing loans? Those amount for 9-10% of all mortgages. That would prevent some homes from going into foreclosure, but probably not those of people who have lost their jobs. Moreover, this only helps a fraction (maybe a third to a half?) of people underwater on their mortgage.

Both Felix and DDay suggest this plan would do something about the underwater home issue, though, suggesting they're contemplating principal reductions on the underwater homes more generally? Those amount to 23.3% of all mortgages. This would have the tremendous value of effectively making the banks pay for the inflated prices they encouraged during the boom. But that's already a whole lot of mortgages you'd have to modify.

But even then, you haven't solved the shitpile problem. Because these percentages still leave out the majority of mortgages. And many of those were securitized during the bubble, either because relatively new mortgages (those written in the last decade) were securitized or because people refinanced and the new loan got securitized. If the problem lies in securitization–and I'm certain Felix and DDay agree that that's the problem–then to clear up the title problem you're going to have to do it for all those homes that were not securitized properly.

And we don't know how many mortgages that includes. Indeed, how would we identify those mortgages?

Just as an example, take my home. I bought it in 2002. At some point, ABN Amro either took over the loan itself or the servicing of it. After that, Citi did. Freddie Mac claims to own the loan right now. The original mortgage was written before the securitization problems got really bad, but within the window that it might be a problem. I asked Citi where my note is using the WhereIsTheNote site. And thus far, at least, they haven't responded by saying, "Oh, Freddie's got your note." Now, I'm trying to sell my house, which is just barely not underwater (I put 20% down when I bought it eight years ago, but it has lost a third of its value, largely due to the number of foreclosures in my neighborhood). Now if things go well, I'll be able to get out of my house without any principal reduction (and trust me, I am grateful that I am better off than a lot of people trying to sell now). But what happens if it becomes clear there is no clear note holder? To whom do I pay off my mortgage when I sell it? How much value would I lose on the house in the process and would that put me underwater (answer: yes)? And if so, would I then qualify for a principal reduction? But if you don't modify my mortgage and in the process give my house a clean title, then my house would for very good reasons be worth less than my neighbor's house that did get a modification.

I'm all in favor of principal reductions. But I doubt you'd ever be able to reach even those underwater homeowners who would benefit from it. But it seems to me it still doesn't fix the more general problem of shitpile.

FIDELITY NATIONAL DROPS NATIONWIDE INDEMNITY REQUIREMENT

This whole title insurance thing is getting confusing.

> Fidelity National Financial Inc., the

> largest U.S. title insurer, canceled a requirement for lenders to guarantee proper foreclosure procedures amid "heightened review" processes by banks.
>
> The company won't require an indemnity agreement before insuring individual foreclosed properties, according to a memorandum to employees yesterday. It will continue the arrangement with Bank of America Corp., the largest U.S. lender.
>
> Fidelity National reversed course from a requirement put in place a week ago after institutions took steps to police foreclosure paperwork, according to the memo. Failure of other insurers to follow its lead also put the Jacksonville, Florida- based company at a competitive disadvantage, said Peter Sadowski, executive vice president and chief legal officer.
>
> "Although competition was a factor, we wouldn't take undue risk for competitive reasons," Sadowski said in an interview. "We feel comfortable with the new process."

But what I take it to mean is that, at least partly because other title insurers weren't requiring Fannie and Freddie to indemnify their foreclosure sales, Fidelity National dropped the requirement that they (and other lenders) do so, too. But it's not clear if, in lieu of this indemnity, Fidelity is going to require the lenders to actually prove they have standing to foreclosure.

Whatever the case, Fidelity National seems to be saying that a risk that was there just week ago, no longer exists.

NOW FIDELITY NATIONAL IS HEADING IN THE RIGHT DIRECTION

According to MarketTicker via 4closureFraud, Fidelity National has done the thing (at least in Florida) that makes it demand that mortgage servicers warrant against mistakes-otherwise-known-as-fraud meaningful.

> Eh, I have an update from Fidelity Title – this is for **Florida** foreclosures.
>
> Here's the salient "trouble spot" – this is what must be in the foreclosure docket for them to grant a policy:
>
> > The plaintiff in the action is: **(1) the record holder of the mortgage being foreclosed; or (2) has filed the original promissory note in the foreclosure file; or (3) has obtained a final order reinstating the lost promissory note.**

In other words, before Fidelity will insure the title of a foreclosure sale, it wants to see real proof that the party foreclosing on the home has the legal right to do so. Imagine that?!?! Property rights!

This may well increase the likelihood of clearing out the shitpile the finance industry created.

THE INVESTIGATIVE PROCESS

Adam Levitin, one of the first people to tell investors how the foreclosure crisis may just point to much larger problems introduced by securitization, has this to say about what we need to do to get out of this mess.

> I was glad to hear Ben Bernanke announce this morning that federal regulators would be looking into the faulty foreclosure process. But how is this inspection going to work? **The only way to actually answer whether we have a systemic faulty foreclosure problem is to have legally trained personnel examine a healthy sample of actual loan files on both the servicer and trustee level**. Is that what the federal bank regulators are going to do? Do they even have the personnel? I don't think bank examiners have the training to know what sort of legal documentation and procedures are required to properly consummate a foreclosure; it's just not part of what they do. And are they going to look at the actual loan files or just talk to the servicers and get reassurances?
>
> The credibility of the federal response rests on the investigative process; unless there are sufficiently trained personnel looking at the actual files, we won't know the real scope of the problem, and any clean bill of health will be a white wash. [my emphasis]

This gets at something I've been trying to get to in my continued rants about warranting titles. The legally trained people who would normally review titles on this kind of individualized basis are title insurer employees (I grant that they probably don't have experience in tracking the trustee data, though my suspicion is that the easily identified problems, like robosigned documents, would be a good initial trigger point for further investigation into the securitization of the loan).

By having the banks warrant these loans, it makes it far less likely that the title insurers will do that kind of review (and remember, Fidelity National by itself looks at almost 40% of the titles that pass hands).

Now maybe there is someone besides the title company prepared to do this work, but I'm not hearing anyone besides Levitin talk about who that might be.

FANNIE AND FREDDIE NEAR A DEAL WITH TITLE INDUSTRY

As I noted in my last post on the move, led by Fidelity National, to require banks to warrant against "incompetent or erroneous affidavit testimony or documentation," the move was largely about getting Fannie and Freddie on board and with them making this a standard practice in the industry.

So I'm not surprised by the report that that's precisely what is happening. But I do find the description of Fannie and Freddie's role in this process to be noteworthy.

> The behind-the-scenes work illustrates how, as banks prepare to resume home repossessions, few entities have a greater interest in helping to put the foreclosure train back on track than Fannie and Freddie, which together own or guarantee half of all U.S. mortgages.

> "They're in a position to pursue good, straight, and solid answers. In that way, they play a quasi-regulatory role," said Kurt Pfotenhauer, chief executive of the American Land Title Association, a trade group.
>
> [snip]
>
> Still, the foreclosure-document crisis is raising an age-old question that has dogged the mortgage firms: Should they play the role of regulator, or business partner, with the mortgage originators and servicers that are their customers?
>
> On one hand, Fannie and Freddie need to make sure foreclosures are proceeding properly. But on the other hand, they want to move the process along as fast as possible because each day that they can't repossess homes, they lose more money and ring up a bigger bill for taxpayers.
>
> "Given their public purpose and the special advantages they have in the marketplace, Fannie and Freddie should be a model to the whole industry of how to make sure the foreclosure process is working properly," said Julia Gordon, a senior policy counsel at the Center for Responsible Lending.
>
> But the firms' regulator, and the companies themselves, say that the onus is on servicers to fix any problems and vouch for the quality of their foreclosure processes.
>
> Fannie Mae "is not in a position to be the determining body as to whether servicers are putting processes in place that comply with the law," a company spokeswoman said.

This is basically the government—as the owner and guarantor of Fannie and Freddie—basically saying the banks should just fix their own practices. No wonder that line sounds so similar to what we're hearing from the Obama Administration.

And couple this disinterested stance toward servicer problems with the news that the government has known, since sometime after May, that there was a,

> significant difference in the performance of servicers, and in particular, information that shows us there is not compliance with FHA rules and regulations around loss mitigation.

Yet it has not done anything about the servicers that it knows (but will not name) which have not followed required practices to try to keep people in their homes.

Note too the reference in the linked article to Fannie's institution of fines on servicers that didn't churn through their foreclosures in timely fashion.

The past practice of Fannie and Freddie shows they have every intention of keeping foreclosures churning through the system and government regulators appear to have no intention of slowing that churn. Signing this title insurance agreement is part of that same process.

We, the taxpayers, have become the owners of a system that churns inexorably on to evict us from our homes.

"THE FEDERAL GOVERNMENT IS

MOVING COMPREHENSIVELY AND QUICKLY”

Something has been nagging me about this HuffPo description of HUD Secretary Shaun Donovan’s briefing on the foreclosure crisis the other day. It’s the revelation that, in a review started **in May**, the government had found that foreclosure servicers are not complying with FHA requirements that servicers attempt to modify loans before they foreclose on them.

> Donovan said the administration had yet to complete its review, which began in May. Thus far, though, it had found “significant difference in the performance of servicers, and in particular, information that shows us there is not compliance with FHA rules and regulations around loss mitigation.” Donovan said the findings were limited to firms that deal with FHA loans. He declined to single out servicers. Other HUD officials likewise declined, despite repeated requests.
>
> When it came to the larger issue of what some legal experts describe as a fundamentally-flawed and fraud-ridden mortgage market — fraudulently-underwritten loans that passed through a maze of institutions that failed to properly maintain basic paperwork or follow legal procedures in bundling, securitizing and ultimately selling those mortgages to investors — Donovan said that, thus far, all is well.
>
> “The primary issue that’s been the focus of the moratoria is, is the foreclosure process being followed correctly? Are affidavits being filed correctly, and are notarizations and other things being done correctly? That is one set of

> issues," he said. "A second set of issues – and we think this is very important – that we look more broadly at, 'Are servicers taking steps to help keep people in their homes?'"
>
> The lesser, third issue that has been raised, Donovan said, is whether the process underlying the securitization of mortgages is "in question."
>
> "So that's the point that I'm trying to make, is that the issues that we are finding … that we're focused on are, 'Are there particular servicers that are not following these processes?'"
>
> Donovan added that "we have not found any evidence at this point of systemic issues in the underlying legal or other documents that have been reviewed."

Keeping in mind that this review started **five months ago**, watch this video of Donovan from Wednesday. In it, Donovan seems intent on declaring the overall system of mortgage finance–including MERS–to be sound, even while he reveals that the review showed some servicers were not making the required effort to modify loans before foreclosing on people.

This is not a systematic issue, according to Donovan, but some servicers that he declines to name (as he did in the briefing HuffPo describes) are not following processes to keep people in their homes. Oh, and "the Federal government is moving comprehensively and quickly to ensure that servicers are complying with the law and that they are taking the actions they're required to take and they should take to keep people in their homes."

Well over a million homes have been foreclosed on since the government began its review of the foreclosure process. At some point in that time, the government determined that certain servicers were not complying with federal rules about modifications.

So why are we just hearing about it now after those million families have lost their homes?

I appreciate that the government—by refusing to call this systemic fraud systemic—acquires new leverage over servicers to actually do something about their refusal to modify loans. But why have we heard nary a peep out of the government about this before now? And why is the government refusing to make public which deadbeat banks are breaking the rules on loan modifications?

FIDELITY NATIONAL'S ROLE IN THE COVER-UP

I've got a slightly different take than DDay on the news that Fidelity just established a policy requiring lenders to warrant all foreclosure sales going forward.

> Fidelity National Financial Inc., the largest U.S. title insurer by market share, will require lenders to sign a warranty assuring their paperwork is sound before backing sales of foreclosed homes.
>
> An indemnity covering "incompetent or erroneous affidavit testimony or documentation" must be signed for all foreclosure sales closing on or after Nov. 1, the Jacksonville, Florida- based company said in a memorandum to employees today. The agreement was prepared in consultation with the American Land Title Association and mortgage finance companies Fannie Mae and Freddie Mac, Fidelity National said.

DDay argues that Fidelity National is basically asking for a guarantee that it won't have to pay off any claims on title problems.

> I'm sure the health insurance market would love a clause that forced the maternity ward to sign a warranty that the baby they birthed into the world will be healthy their entire life, or else they pay up. I do understand the title insurers' complaint, and I'm glad they're forcing the issue with the lenders, but I can't help but find it a little weird. If the banks are paying on the insurance, I'm not sure we need a title insurance industry.

Now, I'm not an expert. I'm just someone who has been considering whether she should still be looking to buy a house in this market. But as I understand title insurance the biggest part of the service they offer—what you're paying them for—is not risk going forward, but rather a competent and thorough search for any outstanding title problems. Here's one explanation:

> Because title insurance protects against what may have happened in the past, most of the expense incurred by title companies or their agents is in loss reduction. They look to reduce losses by finding and fixing defects before the policy is issued, in much the same way as firms providing elevator or boiler insurance. These types of insurance are very different from life, property or mortgage insurance, which protect against losses from future events over which the insurers have no control.

So I take this move not as an effort to avoid paying any claims. I take it as an admission from Fidelity National that it cannot **or will not** adequately do that main part of its job: review the documents on a house and make sure the documents say what they appear to say. Instead of doing the forensics required to check that documentation (lawyers challenging foreclosures have proven fraud by showing notary stamps post-date the purported signing of the notarized document, comparing signatures to prove some are forgeries, and pointing to allonges not attached to the actual note, among other things) on every sale, they're simply demanding that banks claim they don't need to do that work.

Note, too, that Fidelity National instituted this policy (as distinct from the agreement it signed with Bank of America on the day BoA halted foreclosures) in consultation with Fannie and Freddie. That is, in consultation with government owned entities holding a majority of the mortgages out there.

So the government and Fidelity National have gotten together and said, "rather than actually check for fraud we've got abundant evidence exists not just in foreclosures being processed now, but in foreclosures already sold and—significantly—in performing loans that were securitized at the height of the boom, let's just have the banks sign off on any foreclosures going forward." As a particularly nice touch, they're describing this fraud not as fraud, but "incompetent or erroneous affidavit testimony or documentation."

From the standpoint of an industry and a government hoping to prevent people from learning about the extent to which our property system has been tainted by the banksters, that might be shrewd. After all, the most common time for real people to challenge bank conduct here is when they are foreclosed on or when they buy a house—when they are involved in a legal transaction. We only came to understand the true extent of foreclosure fraud after foreclosure and bankruptcy lawyers had dealt with such volume of cases that they came to learn the tricks of the servicers and even reviewed enough documents to have solid evidence of notary and robosigner fraud. By getting indemnity from the banks, Fidelity National (and our government acting through Fannie and Freddie) will ensure that one entity at least will continue to offer lenders title insurance, helping them unload those properties that may or may not have fraudulent title, but **will never look closely at the documentation to see if there has been fraud**. Fannie and Freddie just worked with Fidelity National to ensure that 38% (Fidelity National's market share) of the 25% of all homes that are sold that are foreclosures will never have their title examined closely. 9.5% of homes will be sold without the thorough paperwork review that everyone knows should be done at this point, thereby ensuring not only that the market will continue to move, but also that banks always have a way to sell a house without the title insurer doing its job, but instead relying only on the bank's say-so for the most likely title problem.

But the thing is, they may well get away with it (or, at the very least, minimize bank losses). As I said, we're only going to learn about faulty title during legal transactions. And title insurance is required for mortgaged home sales to protect the lender, but not to protect the homeowner. And the lenders are, as often as not, the same servicers that are trying to unload these properties. They, as an industry, have an incentive to get the homes into the hands of someone who will pay for it (regardless of how troubled the title) without much scrutiny on the practices of the last decade. Presumably they hope that ten and twenty years from now, no one will remember how troubled these titles really are.

And the only other time anyone is likely to look closely at these titles is if and when investors start demanding that the banksters take their shitpile back. But that will only be litigated on a loan by loan basis. Which means, for people still paying their mortgage, no one is going to look at whether the banks screwed up ownership during their bubblicious frenzy.

It is almost certainly not an accident that Fidelity National, in conjunction with Fannie and Freddie, just implemented this plan on the same day that the Administration rolled out its "look forward, never look backwards campaign." After all, for Shaun Donovan to claim with a presumably straight face that a review that has been ongoing since May has found no systemic problems, he has to be sure that most people will never check his claim.

> The lesser, third issue that has been raised, Donovan said, is whether the process underlying the securitization of mortgages is "in question."
>
> "So that's the point that I'm trying to make, is that the issues that we are finding … that we're focused on are, 'Are there particular servicers that are not following these processes?'"
>
> Donovan added that "we have not found any evidence at this point of systemic issues in the underlying legal or other documents that have been reviewed."

And this deal–ensuring that the biggest title company will never look too closely–is a key part of making sure that no one will check Donovan's claim.

OBAMA ADMIN: LOOK FORWARD! EVEN IN THE FACE OF OBVIOUS CORPORATE FRAUD!

I'm not surprised by this–but I simply don't understand how the Obama Administration can claim they haven't found anything fundamentally flawed (though that could be HuffPo's formulation) when thousands of people have been thrown out of their homes based on documents whose signers falsely attested to those documents.

> U.S. Housing and Urban Development Secretary Shaun Donovan said Wednesday that the Obama administration will attempt to protect homeowners and police the kind of paperwork fraud that led the nation's largest banks to temporarily halt foreclosures this month, but added that the administration had yet to find anything fundamentally flawed in how large banks securitized home loans or how they foreclosed on them.
>
> "Where any homeowner has been defrauded or denied the basic protections or rights they have under law, we will take actions to make sure the banks make them whole, and their rights will be protected and defended," Donovan said at a Washington press briefing. "First and foremost, we are committed to accountability, so that everyone in the mortgage process — banks, mortgage servicers and other institutions — is following the law. If they have not followed the law, it's our responsibility to make sure they're held accountable."
>
> He added, however, that the administration is focused on ensuring future compliance, rather than on looking back to make sure homeowners and investors weren't harmed during the reckless boom years. The administration is "committed to forcing institutions to change the way that they conduct business," Obama's top housing official said, "to make sure these problems don't happen again."

When people were suckered into inflated mortgages, it wasn't good enough for them to "make sure [those] problems don't happen again." They lost their homes, their credit ratings, and their savings.

But I guess that’s their own fault for being a mere human rather than a corporate person.