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# Mortgage paperwork mess: the next housing shock?

**Scott Pelley reports how problems with mortgage documents are prompting lawsuits and could slow down the weak housing market**



(CBS News)

If there was a question about whether we're headed for a second housing shock, that was settled last week with news that home prices have fallen a sixth consecutive month. Values are nearly back to levels of the Great Recession. One thing weighing on the economy is the huge number of foreclosed houses.

Many are stuck on the market for a reason you wouldn't expect: banks can't find the ownership documents.

## **Who really owns your mortgage?**

*Scott Pelley explains a bizarre aftershock of the U.S. financial collapse: An epidemic of forged and missing mortgage documents.*

It's bizarre but, it turns out, Wall Street cut corners when it created those mortgage-backed investments that triggered the financial

collapse. Now that banks want to evict people, they're unwinding these exotic investments to find, that often, the legal documents behind the mortgages aren't there. Caught in a jam of their own making, some companies appear to be resorting to forgery and phony paperwork to throw people - down on their luck - out of their homes.

In the 1930s we had breadlines; venture out before dawn in America today and you'll find mortgage lines. This past January in Los Angeles, 37,000 homeowners facing foreclosure showed up to an event to beg their bank for lower payments on their mortgage. Some people even slept on the sidewalk to get in line.

So many in the country are desperate now that they have to meet in convention centers coast to coast.

In February in Miami, 12,000 people showed up to a similar event. The line went down the block and doubled back twice.

Video: The next housing shock

Extra: Eviction reprieve

Extra: "Save the Dream" events

Dale DeFreitas lost her job and now fears her home is next. "It's very emotional because I just think about it. I don't wanna lose my home. I really don't," she told "60 Minutes" correspondent Scott Pelley.

"It's your American dream," he remarked.

"It was. And still is," she replied.

These convention center events are put on by the non-profit Neighborhood Assistance Corporation of America, which helps people figure what they can afford, and then walks them across the hall to bank representatives to ask for lower payments. More than half will get their mortgages adjusted, but the rest discover that they just can't keep their home.

For many that's when the real surprise comes in: these same banks have fouled up all of their own paperwork to a historic degree.

"In my mind this is an absolute, intentional fraud," Lynn Szymoniak, who is fighting foreclosure, told Pelley.

While trying to save her house, she discovered something we did not know: back when Wall Street was using algorithms and computers to engineer those disastrous mortgage-backed securities, it appears they didn't want old fashioned paperwork slowing down the profits.

"This was back when it was a white hot fevered pitch to move as many of these as possible," Pelley remarked.

"Exactly. When you could make a whole lotta money through securitization. And every other aspect of it could be done electronically, you know, key strokes. This was the only piece where somebody was supposed to actually go get documents, transfer the documents from one entity to the other. And it looks very much like they just eliminated that stuff all together," Szymoniak said.

Szymoniak's mortgage had been bundled with thousands of others into one of those Wall Street securities traded from investor to investor. When the bank took her to court, it first said it had lost her documents, including the critical assignment of mortgage which transfers ownership. But then, there was a courthouse surprise.

"They found all of your paperwork more than a year after they initially said that they had lost it?" Pelley asked.

"Yes," she replied.

Asked if that seemed suspicious to her, Szymoniak said, "Yes, absolutely. What do you imagine? It fell behind the file cabinet? Where was all of this? 'We had it, we own it, we lost it.' And then more recently, everyone is coming in saying, 'Hey we found it. Isn't that wonderful?'"

But what the bank may not have known is that Szymoniak is a lawyer and fraud investigator with a specialty in forged documents. She has trained FBI agents.

She told Pelley she asked for copies of those documents.

Asked what she found, Szymoniak told Pelley, "When I looked at the assignment of my mortgage, and this is the assignment: it looked that even the date they put in, which was 10/17/08, was several months after they sued me for foreclosure. So, what they were saying to the court was, 'We sued her in July of 2008 and we acquired this mortgage in October of 2008.' It made absolutely no sense."