Robo-signed mortgage docs date back to late 1990s

Widespread robo-signing of mortgage documents found as far back as 1998 could haunt owners

By Pallavi Gogoi, AP Business Writer | AP – Thu, Sep 1, 2011 8:50 PM EDT

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NEW YORK (AP) -- Counties across the United States are discovering that illegal or questionable mortgage paperwork is far more widespread than thought, tainting the deeds of tens of thousands of homes dating to the late 1990s.The suspect documents could create legal trouble for homeowners for years.Already, mortgage papers are being invalidated by courts, insurers are hesitant to write policies, and judges are blocking banks from foreclosing on homes. The findings by various county registers of deeds have also hindered a settlement between the 50 state attorneys general who are investigating big banks and other mortgage lenders over controversial mortgage practices.The problem of shoddy mortgage paperwork, which comprises several shortcuts known collectively as "robo-signing," led the nation's largest banks, including Bank of America Corp., JPMorgan Chase & Co., Wells Fargo & Co., and other lenders to temporarily halt foreclosures nationwide last fall.At the time, "robo-signing" was thought to be contained to the affidavits that banks file when a mortgage is issued and somebody buys a house. The documents are used to prove they have the right foreclosure if the homeowner isn't making mortgage payments. Companies that process mortgages said they were so overwhelmed with paperwork that they cut corners.But now, as county officials review years' worth of mortgage paperwork, in some cases combing through one page at a time, they are finding suspect signatures -- either signed with the same name by dozens of different people, improperly notarized or signed without a review of the facts in the paperwork -- on all sorts of mortgage documents, dating as far back as 1998, The Associated Press has found."Because of these bad titles, property owners can't prove they own the properties they think they bought, and banks can't prove they had the right to sell them," says Jeff Thigpen, the registrar of deeds in Guilford County, N.C.In Guilford County, where Greensboro is located, a sample of 6,100 mortgage documents filed since 2006 turned up 74 percent with questionable signatures. Thigpen says his office received 456 more documents with suspect signatures from Oct. 1 through June 30.The suspect signatures found by Thigpen and other registrars around the country were on documents from the banks involved in the temporary foreclosure halt and others.Widespread robo-signing that stretches back a decade or more could create problems for homeowners. Regulators have so far not asked lenders to clean up the potentially millions of suspect documents filed in the past decade or

earlier. That troubles some banking experts, including Sheila Bair, who until early July was chairwoman of the Federal Deposit Insurance Corp."We do not yet really know the full extent of the problem," Bair said in written remarks to the Senate Banking Committee. She and others have called for a comprehensive study on the extent of the fraudulent signatures in mortgage documents.If documents with robo-signed signatures are challenged in court, judges could question the ownership of the properties, says Katherine Porter, a professor at University of California Irvine School of Law and an expert on consumer credit law. The consequences extend to homeowners in good standing when they try to sell.If invalid documents are discovered in the chain of ownership, it could delay the sale or make it difficult for buyers to get a mortgage because title insurers won't write a policy for the property, says Justin Ailes, vice president of government affairs of the American Land Title Association, a trade association representing the title insurance industry. Banks and other mortgage lenders won't write a home loan without title insurance.Among the findings shared with The Associated Press by county officials from several states:-- An investigation of mortgage documents in the county that includes Salem, Mass., found that more than 25,000 had suspect signatures. The earliest date to 1998, says John O'Brien, the registrar of deeds there.-- In Michigan, the state attorney general has sent criminal subpoenas to three companies that processed mortgage paperwork after 24 local recorders of deeds looked through their files and found rampant robo-signing.-- An Illinois county, Kankakee, pulled a sample of 60 documents filed since 2007 to look for suspect signatures. All 60 were "signed" by people who have been identified as robo-signers. At least 12 county officials in Illinois have sent their findings to the state attorney general.The results of these reviews are troubling to the registers of deeds in counties across the country. It's the job of these officials to record documents on property transfers, and they say, they need to be able to trust that notarized paperwork is legitimate."I want papers that come into our office to be clean," says Lori Gadbois, the recorder of deeds in Kankakee County, whose office handles more than 15,000 mortgage documents in a typical month.Many banks began outsourcing paperwork at the beginning of the housing boom around 1998. That's when an increasing number of home loans were being packaged into securities on Wall Street and sold off to global investors. As demand skyrocketed, lenders and mortgage processing firms hired entry-level employees to sign hundreds of mortgage documents a day.Sometimes they forged the signatures of executives who were qualified to sign. Other times, actual executives signed the documents without verifying their accuracy. Many of the documents were stamped by notaries even though the people who had signed the documents weren't present when the papers were notarized, a requirement by law. All are instances of robo-signing, and are potentially illegal.The 50 state attorneys general have been negotiating a settlement with major lenders over robo-signing and other bad mortgage practices. Analysts say it could top $20 billion. But the attorneys general of some states, including New York, Massachusetts, Illinois, Delaware and California, have balked because banks have demanded a release from all future liability on past mortgage practices or the mortgage-backed securities they sold to investors.Meanwhile, federal bank regulators have focused on getting banks to clean up their act in the future, not on fixing the potentially millions of tainted documents that have been filed in land record offices in counties across the country.Robo-signing came to light last fall, when the largest banks halted foreclosures for several months to clean up their paperwork problem. The

lenders promised last fall to stop the practice. But The Associated Press reported in July that robo-signing has continued. Officials in at least four states say mortgage documents with suspect signatures have been filed with counties in recent months. The revelation led to calls for Congressional hearings.On Thursday, the mortgage unit of Goldman Sachs Group Inc. agreed to stop robo-signing and other controversial mortgage practices under an agreement with New York state's banking regulator. The Federal Reserve, meanwhile, launched a formal enforcement action against the unit, Litton Loan Servicing, ordering it to review foreclosure proceedings from 2009 and 2010."The banks are playing with the integrity of the land record system," says John O'Brien, the recorder of deeds from Salem, Mass.The documents that are filed in county deed offices are legal affidavits that transfer loans from one bank to another in a sale, refinancing, or foreclosure and certify if a loan has been paid off. They verify that there are no claims against the property.Robo-signing could ultimately invalidate tens of thousands of home ownership documents, say legal experts.In addition to delaying regular sales, banks could be blocked from foreclosing even if the homeowner falls behind on mortgage payments for the same reasons.That's already happening.Judges who handle foreclosures in Maine, California, Arizona, New York and other states have thrown out foreclosure cases if documents contain signatures of known robo-signers.On July 1, a state judge in Brooklyn ruled that HSBC lacked the legal authority to foreclose on homeowner Ellen Taher because the mortgage documents that accompanied the filing were signed by at least three known robo-signers.In May, a Maine judge dismissed another foreclosure involving HSBC, calling mortgage documents presented in a case untrustworthy because they contained signatures of one person posing as three different people. HSBC spokesman Neil Brazil says another company handled the mortgage paperwork in the New York case, and the bank is working with regulators to address and resolve issues related to robo-signing.Registrars like Thigpen in North Carolina and O'Brien in Massachusetts say they have taken their findings to federal authorities. Except for a call from the North Carolina attorney general's office, though, Thigpen says he has been ignored for months.Deed offices in North Carolina and Massachusetts have stopped recording documents if they contain signatures of names known to be part of the robo-signing scandal. Such actions could delay new sales. O'Brien, the recorder of deeds from Massachusetts, says he's only responsible for one county out of more than 3,000 in the U.S."Federal regulators with a lot more authority than me have to step up to the plate and help correct this," he says.Associated Press business writer Michelle Conlin contributed to this report.