Your Mortgage: Avoid Servicing Risks
with
Marie McDonnell

Catherine Austin Fitts

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Summary: Marie McDonnell joined me on The Solari Report last year to help you learn how to successfully originate a mortgage without falling into the financial fraud traps and schemes that have become common in the United States: Your Mortgage: Financing Your Home Without Falling for Fraud.

Once you have successfully originated your mortgage—even when you have done things right—problems can occur, and some of them are downright fraudulent. This week, Marie returns to The Solari Report to brief us on servicing risks. She also explains what to do to ensure that your mortgage servicing goes well for the life of your mortgage—and what to do if it does not.

Because mortgage servicing is a complex affair, Marie has generously prepared and provided supporting documents, including a list of servicing abuses and case studies based on people she has successfully helped to defend. When we post the audios, please login to find a wealth of handouts that support our discussion. You can use the handouts to study this topic at your convenience, including:

- Servicing Outline: Mortgage Servicing Abuses and Case Studies
- Flowchart: Mortgage Servicing Abuse in Escrow Accounts
- Document Custodian Checklist
- Glossary of Terms
- Sample Call, Correspondence, & Payment Logs

There is one point you will hear Marie emphasize repeatedly: It is essential that you understand the documents that you are supposed to have, that you understand the documents that you sign, and that you maintain copies of everything. Unfortunately, horror stories abound of what can go wrong. However, if you take care to manage the payment and monitoring of your mortgage and do a good job of archiving your documents, you should be able to avoid potential pitfalls and present your proofs if things outside of your control go wrong—such as your mortgage being transferred to a sloppy or fraudulent servicer.
Bio: Marie is President of McDonnell Property Analytics. She is a Mortgage Fraud and Forensic Analyst™, a Certified Fraud Examiner (CFE), and a Master Analyst In Financial Forensics (MAFF) with significant experience in transactional analysis, mortgage auditing, and mortgage fraud investigation. Her firm provides a variety of analytical services to individual clients and offers litigation support, mortgage-backed securities research, and foreclosure forensics to attorneys nationwide. McDonnell Property Analytics also advises and performs services for county registers of deeds, attorneys general, courts, and other governmental agencies.

C. Austin Fitts: Ladies and gentlemen, it is my pleasure to welcome back to The Solari Report Marie McDonnell. If you haven’t listened to our first interview with Marie on mortgage origination, I recommend it.

Marie is simply amazing. She is the Chief Executive Officer and President of McDonnell Analytics in Massachusetts. She is a Mortgage Fraud and Forensic Analyst; she is a Certified Fraud Examiner, and she is a Master Analyst in Financial Forensics. She has over three decades of experience in mortgage auditing, mortgage fraud investigation, and transactional analysis.

I was the Assistant Secretary of Housing, and when you look at Marie’s resume – we are going to put it on the website – I have never seen a more impressive resume in the mortgage field!

 Needless to say, this is a woman who knows all about mortgages, including everything that can go wrong. She advises governments; she advises individuals, and she has a nationwide reputation as an independent and trusted source of information. Her work is based in analytics and facts. This is a woman who can unpack the mathematics on just about any mortgage. She can find the ‘needle in the haystack’.

She has used that ability to help many, many people. So, it is a real pleasure to have her on today. We are going to be talking about ‘Mortgage Servicing: What Can Go Wrong’? So, in her first interview she covered mortgage originations. In this report, we are going to be talking about what happens after the originations when you are dealing mortgage servicing, and what can go wrong.
Marie, with that, thank you so much for joining me on *The Solari Report*.

**Marie McDonnell:** Catherine, thank you for that glowing introduction. Coming from you, that is awesome! Thank you so much.

**Fitts:** I really believe you understand mortgages better than any other person I’ve ever met, including the people who run the mortgage industry. The way to understand a mortgage is to understand the nuts and bolts of what is happening in the origination, the servicing, and the securitization. If you look at your work at unpacking how these things work bottom-up, you are in the trenches dealing with the ‘real deal’.

I think that your mastery of this whole area is phenomenal. Every time you deal with the fact pattern and see what has gone wrong, you use that as an excuse to learn more about what is actually happening throughout the industry and the legal and financial system. My hat is off to you.

So let’s begin. We covered originations last time, and now we are going to talk about servicing. Maybe you could introduce us to mortgage servicing, who your servicer is, and how it relates to the origination process. So, take us from the origination process in servicing: Who is your servicer, and what is their responsibility?

**McDonnell:** That is a great place to start – right at the beginning.

When a consumer enters into a residential mortgage transaction to either enable them to purchase a property or, perhaps, to refinance a mortgage on a property that they own, which is a process that takes about 30-60 days, generally speaking. There is plenty of industry assistance to help the consumer through that process.

There is, of course, a very well-organized industry in terms of real estate brokerage that will support a purchase of real estate. Of course, they usually have connections to loan officers or mortgage brokers who will help the consumer to actually apply for a mortgage loan and bring that to closing.

We will talk about the **standard 30-year mortgage transaction**. You can obtain a mortgage loan with a shorter term, but by far, the majority of consumers entering into residential mortgage transactions are taking out a mortgage loan over a 30-year term.
What I’ve found through my experience – and I discovered this very early on in my study of real estate and real estate finance dating back to early 1987 – is that there is no professional service provider who can assist the consumer during the course of a 30-year mortgage transaction if they run into certain problems.

For years, I have felt that I am innovating a new industry as a financial services professional.

**Fitts:** Let’s pause for a moment. Once upon a time – before mortgage securitization – typically the person who you originated the mortgage with (so if I went to the local community bank to originate a mortgage, they would continue to service it for the next 30 years) would be your servicer. So, there used to be a day when most of the people we originated were the people we dealt with on the servicing. You would start a relationship and continue a relationship.

Securitization began and expanded in the 1980’s, and then mortgages started to be passed around – both among financial institutions and securitized pools with pension funds and other professional investors. So, then you have a whole servicing industry that grows up, and their job is not to have a relationship with you; their job is to service whatever gets traded around to them.

So, you go from a relationship model to a transactional model where there is nobody who is working for you.

**McDonnell:** That is so well-said. This creates all kinds of problems – the whole securitization of mortgage loans. It really is a way of tapping into the global capital market to provide the financing for this secondary mortgage market. Consumers are still not aware of who really owns their mortgage and who their lender is. There is still no real consumer education on this very important topic.

What it actually does is, if you think about the two parties to the mortgage note and the mortgage security instrument, you have a borrower and a lender who enter into a transaction to lend and borrow money, and the consumer is under an obligation to repay the principal amount of the loan at a specified interest rate over a specified term to the maturity. But what happens in the securitization process is you might say that there is a separation between the two parties to the contract, and this third-party servicer moves into the middle (the middle man) and takes over the day-to-day operational tasks of servicing that mortgage loan.
The difference here now is that the borrower is not in privity of contract with the servicer. The servicer has no type of fiduciary obligation to the consumer. And, in fact, the servicer can actually make more money for its company by servicing loans that are in default.

Fitts: Let’s pause once again here. I want to go back and make clear that in the 1990’s a series of legal and industry changes occurred. Models were created on both mortgage and student loans where the lending industry could make more money from defaults than they could make from performing.

So, they created a model where it was profitable for them if you defaulted. There are many, many different ways – whether it’s fees, or basically stealing your property and the equity in your property. You created a whole industry of people who were essentially predators. That includes the servicing industry, and I think that it is fair to say that homeowners had grown up in a world where there were usury laws and other consumer protection laws. They didn’t understand that the model had bifurcated into two worlds – one that made money from destroying and liquidating your homeownership, and the other that made money from making you a loan and having you pay it back.

There was no effort to educate homebuyers and homeowners that there were now two completely different worlds, and that one was to be avoided. Is that fair to say?

McDonnell: That is absolutely fair to say, and I know that you talk much about propaganda and fundamentally mind control issues and so forth. So, there is this mainstream media that puts out the propaganda that the banks do everything correctly, they can be trusted, and if you are a borrower in default, it’s because you are some sort of a deadbeat and you deserve to be treated less than human because you’re not making your mortgage payment.

There is a big psychological component to this whole mindset. Conversely, there has been no consumer education, even from the Consumer Financial Protection Bureau, educating consumers about servicers and their adverse interests.

I remember when I first started auditing mortgage loans – which I announced in 1991 – I got the Mortgage Counselor going by holding a free public seminar at a local hotel. Through that, a number of people came to me to audit mortgage loans that they had obtained from subsidiaries of the Dime Savings Bank of New York.
This was the first time that I had ever seen a **negative amortization mortgage loan**, and I was shocked. It took me a while to figure out how to deconstruct and follow the mathematics of that negative amortization mortgage product, but I could see that this type of product was actually designed to fail.

It concluded that we actually measured the loans that originated on the East Coast, from Florida to New Hampshire, from about 1985 to 1989, and then it all stopped. The wave of foreclosures was 45-53% statewide, and this created a tsunami of foreclosures.

It made me really look hard at how the bank could profit from having half of its portfolio of mortgage loans go into default. Then more and more with other banks and mortgage servicing companies like Chase, I began to see that people were making their monthly mortgage payments on time, but then the servicer is forcing open an escrow account when the borrower is making their own real estate tax and homeowner’s insurance payments. Now this creates an inflated monthly payment that the computer software is looking for, and if the payment is ‘short’, then those funds will not be applied against the note payment; they are going to be put into a suspense account until there is enough money pooling up in that suspense account or unapplied funds account to make one full payment that the computer software is looking for.

I began to realize by mid-1995 that they had **developed foreclosure as a profit center**. They were actually attempting to trigger defaults and test the model and the theory to see how much pushback they would get from their regulators, from the attorney generals who had enforcement powers, and so forth. Basically, they got away with it.

My audits of these Dime loans led to attorney general investigations in Massachusetts, New Hampshire, and Connecticut, which resulted in multi-million-dollar settlement awards and relief programs for consumers. But the only people who went to jail were the middlemen – the closing attorneys and the mortgage brokers and the real estate agents who were, what I call, the ‘plumbers and pipe-fitters’ who got consumers hooked into these deals. So with no real regulatory response, Dime parlayed its way to becoming the fourth largest thrift in the country when, in fact, it should have been shut down during the savings & loan crisis of the 1980’s because it was essentially insolvent.

**Fitts:** I will say this because I was part of cleaning up the 1980’s housing bubble. Afterwards, I watched the government and mortgage industry engineer the next one in the mid-1990’s and on. The reality was that this was a long-term play to pick up much more control and ownership of real estate throughout the country.
If you want to reengineer a city like Detroit, you ‘pump and dump’ it in the broad strokes, particularly because so much of the money involved from the different financial institutions was either in the origination process coming from the Fed, which is printing, or the pension funds that were buying. So, they are using our money to play this game in a manner that enables big institutional investors to pick up enormous amounts of real estate and land.

If you are looking at the long-term, you can do it in a very economical way. Bank of America’s real claim to fame was massive foreclosures during the Great Depression. So this is an old game, and it has been playing it for a long time.

**Securitization** took the possibilities for these kind of practices in the servicing model to a whole new level. Because you and I just started diving in the introduction, it is that you have to figure out on the origination if you originated with somebody who is really legitimately going to own and service your mortgage as a lender, or did you buy into a model where you are either being ‘flipped around’ with people who make money on defaulting you? Even if you started out with a legitimate servicer, you can get traded around into one of the bucket shops.

You have to be prepared to know upfront who you are going with, and even then, you need to be prepared that your mortgage could get sold and switched. So, you need to know which model you are in. If you go into the **predatory model**, you need to be prepared to manage that.

**McDonnell:** Exactly, and, of course, you can never tell starting out where you will end up. One of the things that I am really a big proponent of is that consumers have to understand how important all their **paperwork** is involving their mortgage loan transaction. They definitely need to carefully maintain their loan origination documents that they signed at the closing. That is the note, the mortgage, the HUD settlement statement, the truth in lending disclosure statement, the notices of right to cancel, and various other disclosures mandated under state and federal laws. That is gold; it needs to be preserved and protected.

Also, perhaps even more importantly, is that consumers need to keep each and every monthly mortgage statement and piece of correspondence that they receive from their mortgage servicing company. They need to keep this documentation throughout the life of the loan, even if they feel they have no problem and are checking the monthly mortgage statement, and everything looks correct and accurate.
That is all well and good, but problems can happen inadvertently, which the borrower has no control.

One example would be where there is a **transfer in the servicing rights.** What we are finding is that the old servicer is not necessarily passed onto the new servicer the entire life of the loan transaction data and so you need to fully understand the whole picture. So, we are best able to help our clients who have maintained a very complete mortgage servicing file. In fact, I just completed an expert affidavit for a client. It’s okay to use her name because these documents have been filed publicly in a federal bankruptcy court.

Linda Allen is a client of mine. She is local, and took out her loan in May of 2001. Almost immediately, there was trouble. She had to file a Chapter 13 bankruptcy. Why? Because starting out she did have a little difficulty keeping up with her mortgage payments because of a job change, but she had the money to cure that default.

Every time she asked for a reinstatement quote, she saw there were charges that she did not owe for real estate taxes and homeowners’ insurance, and other legal fees and costs – because it was almost immediately placed into foreclosure.

She filed a bankruptcy to protect her property while she paid the arrearage over a five-year plan. She was no sooner discharged and current in her mortgage obligations, but had paid ahead a few months as well, and then she got her first monthly mortgage statement after she was out of bankruptcy, and the servicer wanted about $13,000 for ‘escrow items’. That was for real estate taxes and homeowner’s insurance when she could prove that she had been making her own payments.

When I examined that, I did find that during the course of the bankruptcy, the servicer was able to make a few payments to the Town of Harwich taxing authority, but I also found something else which is a common problem in Chapter 13 bankruptcies. The servicer will not zero out the escrow account, - bringing it to a zero balance-because the arrearages will be paid through the Chapter 13 trustee. So, what they might end up doing is **double-dipping or double-billing** for those escrow items.

It can happen, and I see this happen almost all the time when I am auditing a Chapter 13 bankruptcy. The consumer will have really worked hard to complete their Chapter 13 and obtain that discharge from the court, and then they get a big bill because of the malfeasance in servicing that has taken place during the Chapter 13.
Then when servicing is transferred, what we are also finding – and this is a big problem when Washington Mutual failed and the FDIC sold the servicing rights to JP Morgan Chase – from auditing many of those loans, and also talking to people who worked for Washington Mutual and Chase, that the loan level details did not board accurately. So now we have Chase, who is placing people in default and foreclosure, when in fact, there was a glitch in that translation.

So, you can find yourself – through no fault of your own – in a **default and foreclosure** situation just because there have been mistakes or, in some cases, intentional manipulations on the part of the servicer who can lose that monthly payment (which commonly happens when there is a transfer of servicing).

**Fitts:** I had one experience where I had one of my mortgages securitized, and they would move the servicing every three months and try to default us. I had an attorney and a bookkeeper and myself, and we had a detailed procedure to make sure that they couldn’t. It was amazing because every three months, we would go into war mode.

At one point, I encountered an unbelievably intelligent servicer from Arizona. She was a young woman who was very well-trained. I had my bookkeeper and my attorney on the phone with me, and we would double- or triple-pay the first payment. We would authorize an automatic transfer but send them a certified check by registered mail so that they couldn’t play this game. The goal of constantly moving the loan was so that you could default it.

She had no idea who she was dealing with. She thought she had a regular old homeowner. So finally, after about a half-hour, it was slowly dawning on her who she was up against. I said to her, “Okay, I only have one more question. What is your bonus commission if you can get me into default? How much are you going to make?” My guess it was $500 to $1,000.

She suddenly realized that we had her. She was trying to trap us, but we had her in the trap. She just said, “Never mind. There is no problem here,” and hung up.

I realized that you are up against people who are paid a large amount of money if they can default you, and it was a racket.
When I was on Wall Street, I dealt with some of the smartest attorneys in the country. It was a racket designed by the smartest attorneys in the country. You’re up against an extremely intelligent machine.

I should point out that I didn’t say this earlier, and I apologize. One of the things that you provided us with is an excellent **glossary of terms**. Obviously, if you are going to have a mortgage and deal with mortgage servicers, you need to know the different words and terms. There is a great glossary that is available to you in the subscriber links, and I encourage you to access that.

You also have a **document checklist**. I should mention this because if you’re not an expert at this—I’ve done a couple of mortgages in my life, but I wouldn’t say that I’m an expert on originating a mortgage. It’s really helpful to understand what all the documents are that are involved, and then have a list of ‘here is what I have to set up in my file’.

Definitely access those exhibits because they are a wealth of information and very clear and coherent.

The other thing that I want to mention is that one of my attorneys agreed to do pro bono help for the bar with foreclosures in her state. What she said is that trying to contact a servicer is impossible. You can be on hold for hours, and she is an attorney.

She said that it takes hours to try to contact anyone at the servicer, and if you do, they are not authorized to deal with it or fix it. So, you can end up in a maze that is just horrible.

**McDonnell:** It is a war of attrition; they want to make it so impenetrable. So, if you think of the medieval castles with the drawbridge and the moat, that is the servicer.

**Fitts:** That is a perfect description!

**McDonnell:** They know what torture is.

**Fitts:** Right, you have to lay siege. I think that is the reason some people use bankruptcy or the courts; it’s the only way to get a phone call returned.

**McDonnell:** That is true. One of the most difficult things for us as well, is I have spent, as your attorney, hours on the phone trying to go up the chain of supervisors to someone who is knowledgeable enough to answer my questions.
For example, on the Linda Allen case I wrote a 32-page **notice of errors** that was so detailed. In fact, I have excerpted some of that notice of errors in the mortgage servicing abuses document that I have provided to you. Certainly, you have my permission to share that with your subscribers.

**Fitts:** Your case examples are a wonderful education for anybody who is about to go into a mortgage origination and needs to understand that. I really appreciate that, and those will be in the subscriber links.

**McDonnell:** In trying to deal with her servicers, no one could answer the questions that I posed in my notice of errors, which I composed with detail and dates and amounts of money that went missing. So the current servicer, Ocwen Loan Servicing, would respond to my notice of errors superficially, but they did not nor could they address the issues because they did not have the entire life of loan transaction history, and they could not rebut my findings.

Here again shows how important it is for consumers to maintain all of their documentation. In Linda’s case, since so many of the abuses were in the escrow account, which is the number one way that mortgage servicers manufacture defaults by manipulating the escrow account in one way or another, it got very difficult. If they do not charge enough on a month-to-month basis to cover the anticipated escrow disbursements in a one-year cycle, then the next year they are going to make up for that. This will often involve increasing your monthly mortgage payment beyond your level of affordability and create payment shock, which consumers will begin to dispute, and perhaps, hold back paying the extra amount. Then that is going to justify the servicers putting them into default, and the whole foreclosure cycle begins.

It is a nightmare, no doubt about it, but you are absolutely correct in drawing your listeners’ or reader’s attention to the **two different business models** where you perhaps, will take out a mortgage loan with your local community bank – as I have recently. They are interested because they are making their money on the actual interest portion of your monthly payment, not on selling the mortgage loan and collecting a transactional fee or commission.

So with the community bank model, we have an equity building model where they have a mutual interest in having this be a successful relationship. In the predatory model, you have an equity stripping situation going on and ultimately, designed to take you out of homeownership, but of course, extort as much money from the consumer as they can along the way, having them reduce savings or borrow money until there are no resources left. Ultimately, they are going to take the property.
Fitts: In your outline you have a great list of the ways a successful mortgage can break down in servicing, and I would like to review them. I want to just read them because I think that it’s a really great list.

We will have this on the website; you provided a great outline, and we are going to publish this in the Subscriber Links.

If you really want to educate yourself after you listen to or read this – or as you listen or read this – I would recommend that you go through these and follow along with the outline. Let’s review these.

1. An unexpected transfer in servicing rights may result in a lost or delayed payment which the new servicer will recognize as a default.

We have seen checks lost in the mail, so there are many different ways that this can happen. It can be a well-intentioned servicer; things can go wrong even if all the parties are well-intentioned.

2. Often, documents and data do not board accurately and completely onto a new servicing platform when technology is updated, or servicing is transferred.

So, somebody makes a mistake.

3. The servicer may make a mistake in adjusting interest rates and monthly payment changes, thereby breaching the mortgage contract.

It’s very interesting; some of these mortgages are so complex. As you said, you can’t translate the note into how the mathematics is supposed to work. The complexity is mind-boggling. So, even well-intentioned servicers can make mistakes.

4. The servicer may err in calculating the amount due for escrow which may cause an erroneous shortage that can cause “payment shock.”

5. The servicer may improperly force open an escrow account by advancing a real estate tax payment or imposing force placed insurance even though the borrower is current on her escrow obligations.
So, they can play games with the escrow account so that you get tricked.

6. If, during a dispute, the consumer withholds an escrow payment, the servicer will place the note payment in a Suspense account which will trigger a default.

7. Once a default is declared, the servicer can impose late charges, property inspection fees, broker price opinions fees, etc., and refuse to accept any further installment payments from the borrower until all arrearages and fees are paid.

So basically, you get gamed into a ‘phony baloney’ default, and then the next thing you know, they are siphoning money off ‘hand over fist.’

**McDonnell:** In response to the 2008 financial crisis, *legislation* was enacted at the state and federal levels to pressure the mortgage servicing industry to work out *loan modification* agreements to assist homeowners in retaining homeownership whenever possible.

One of the things that we hear from clients all over the country, and I’m in a unique position because the work that we do here is not geographically limiting, and we do have clients in all 50 states, and all of them resoundingly have told us the same thing. They contacted their mortgage servicer to apply for a loan modification because, in most cases, they could foresee a default was imminent – especially as interest rates and monthly payments changed.

For example, so many adjustable rate mortgages and ‘alternative transactions’ were proliferated during the ramp-up in the housing bubble through 2007, so we had interest rate and payment adjustments that began to balloon out of the borrower’s affordability range. So they would call the servicer to say, “I anticipate a default. My monthly payment is increasing. I can’t afford to pay it. I want to apply for a loan modification,” and what they were all told is, “You are current on your loan, so we can’t help you unless you fall three months behind.”

People would say, “I don’t want to fall into default. I have always made my mortgage payment. I don’t want to fall into default.”
“We can’t help you then.” So the borrower would do that. While they were negotiating the loan modification, which can take many, many months, we had everyone we ever spoke to who applied for a loan modification report say, “They lost my documentation,” or “they let it go stale, and it needed then to be refreshed.” This is an absolutely ‘mind-numbing’ experience to try to get to a point where your application is being evaluated for a loan modification.

In any event, what most people don’t understand is that at about the point where they fall three months behind in their mortgage payment, the servicer will tell them, “We can’t accept any regular mortgage payments anymore. You have to fully cure the default in a lump sum before we can start accepting regular monthly mortgage payments.”

What this creates is a situation where the judges who are hearing mortgage foreclosure cases, and learn that the consumer has not made a mortgage payment in five years, they think that is a ‘deadbeat’ borrower, but that is not true. What happened was the servicer set up a situation that became impossible to fulfill the mortgage contract.

**Fitts:** So, they did the opposite of a mortgage loan modification; they modify the principal up instead of down.

**McDonnell:** Always. In the document that I gave you, I talk about my client, James Daggs, where it’s an incredible case study of a loan modification that was designed to drive him into default; it was a trap.

You were talking about **monetary incentives and commissions.** The actual customer representatives who were handling these transactions for the servicer are paid. So, there is documented evidence in a number of court cases where I have read affidavits from Bank of America employees that say they were actually paid bonuses when they denied a loan modification application - $500 or $1,000 or whatever.

There is plenty of evidence to demonstrate that there is an intentionally constructed model. It is technology and policy-related, and there is also training of the mortgage servicing representatives.

**Fitts:** It is basically **predatory lending.** In other words, they have made usury in predatory lending legal and turned it into a business model. It is a very, very profitable business model.
It goes back to understanding that many of us grew up in a world where there were laws against usury and predatory lending, and those laws are gone. In fact, there is a whole industry that has grown up to liquidate people in the mortgage process. So, you need to know which industry you are dealing with – the predators or the legitimate lenders. There are plenty of legitimate lenders out there; you don’t have to go with a predatory lender.

The predatory lenders are very good at making the deal look sweeter upfront.

**McDonnell:** You are so right. Along the way, there have been a couple of rounds of overt predatory lending schemes that I’ve seen develop in a very big way over the three decades of my practice.

In Massachusetts in the early 1990’s, the attorney general, Scott Harshbarger, sued a number of regional and local banks for predatory lending – lending at interest rates that were abusive.

So, what happened along the way? The geniuses who figure out the mortgage analytics ascertained a workaround to all the anti-predatory legislation that was enacted at both the state and federal levels, at the turn of the century. I think it was in 2004; it was the **Homeowners Ownership and Equity Protection Act**, and that really restrained most of abusive lending.

I worked on a case fairly recently here in Massachusetts where I examined a mortgage loan that was originated by New Century Mortgage Corporation. I compared the structure of this adjustable rate balloon mortgage transaction with the benchmark of what would violate one of the anti-predatory lending laws in Massachusetts. I discovered that the structure of New Century’s mortgage loan was more expensive than the benchmark used to determine whether or not a loan was predatory and potentially void.

So, they found workarounds – both financially and in terms of the structure and risk layers that they package into these mortgage loans. So, the legislature enacts legislation to prevent predatory lending, and they find a workaround, and it goes on and on.

**Fitts:** I’ve seen many examples where, if you look at the state and local officials who have tried to stop some of this, they go after them.
If you look at what happened to Eliot Spitzer in New York, I think that was absolutely connected to the fact that he was trying to protect consumers, including in the mortgage industry. So, they found an imperfection in his personal behavior and – ‘wham’! – off they go. They turn the shriek-o-meter on, and the next thing you know, the man’s political career is destroyed.

The real message to all the judges and state and local officials is, “Play ball, or we are going to go after you.”

As somebody who dealt with 11 years of this, I was ‘in the way’ of them having a fraudulent housing bubble. I spent 11 years proving that all their fake allegations were fake.

I figured out how many hours that it took. I was looking at Linda Allen’s case, and I wanted to ask you about that. One of the big issues is that it’s not only the money they steal, but the time. I calculated the time that the mortgage industry and the related central bankers cost me was 36,000 hours of my time to prove that what they were doing was fraudulent; it took me 36,000 hours.

I was doing a whole company false frame, but if you look at Linda Allen, it took 16 years; she had to go through bankruptcy, and thank God, she found you. I don’t know how many hours of her time her servicer wasted, but I’m sure it is in the thousands of hours.

McDonnell: Not only that but this might be a good segue into what this costs consumers in terms of their health. This has been such a psychological and emotional oppressive situation for Linda. It created a heart condition that she has to be very careful of.

When you have this long-term sustained pressure that involves the roof over your head, and her home is not only a property.

Fitts: It’s not a real estate investment; it’s a home.

McDonnell: Exactly, and she has a little friendly compound there due to the fact that her mother secured this land, and she was responsible for dividing it among her siblings. It’s so much more; it’s a beautiful home, and it’s her sanctuary.
She has been under attack for years, and it really does take a toll.

**Fitts:** It’s like going to war, but you have no training as a soldier, and you don’t know that you are going to war and you don’t know that it is going to be a long war.

One of the things that I encourage people to do is **use a local bank.** I often hear them say, “If I deal with the local community bank, there is a higher interest rate.” Well, there may be a higher interest rate, but it also means that you don’t have to spend 1,000 to 3,000 hours at war.

You need to integrate the real costs into your analysis of who and what you are doing business with. If you are going to do business with somebody in the predatory model, then you had better be prepared.

One of the things that I hear from attorneys is that this reality of disappearing documents is not only in the mortgage area; it’s across the board. It is utilities; it is credit card companies. The companies aren’t retaining records or they are moving accounts around, and so if you don’t have your documentation, you are ‘sunk’ on everything that you are dealing with.

If you have a mortgage, you need to look at the document retention list and information, and go through the exhibits that Marie provided.

I will talk about this more at the end, but I really want to stress that you are available to advise individuals. So, if somebody wants you to review the mortgage that they are thinking of originating, or if they want you to look at their current situation, you are available to help individuals, correct?

**McDonnell:** Absolutely, that is what we do here.

**Fitts:** So, let’s talk about the section that you have called ‘Dead Ends’ in your outline. Let’s talk a little about that.

**McDonnell:** This is actually an important topic.

**Fitts:** Something happened in 2008, so I have been trying to warn people about the **extraordinary financial fraud and mortgage fraud.** I just want to tell the story because in 2008, – and you describe this in your material – the mortgage fraud just blossomed from 2000 to 2007 going into the bailouts.
Of course, much of this was securitized and the rating agencies found a way to make many of the securitized papers much higher ratings than they clearly deserved.

I was speaking all over the world trying to warn people about the extent of the fraud. I had a radio show that I would do a couple of times a month where I, as the former Assistant Secretary, would get on the show at 5:00 p.m. It was drive-by in San Francisco and the Bay Area, and I would warn people about what was occurring.

Suddenly coming into the summer, there was a completely bogus effort to kick me off the radio show. I couldn’t figure out what was happening. Why were they working so hard to get me off this radio show? It was amazing, and there were all sorts of false allegations. The show was a real hit.

So they got me off the show, and a month later the Bohemian Grove (secretive men’s club in California) happened, and the next thing that happened was the government was taking over Freddie Mac and Fannie Mae. Soon after that, one of the most prestigious money managers in the world based in San Francisco, published a letter in April of 2008. They bought $1 billion of Fannie Mae stock, and that summer, they lost the entire billion; the whole position essentially went to zero.

They published a letter on their website saying, “We did very serious due diligence, and we had no idea that there was a problem.”

I said, “Wait a minute. The former Assistant Secretary of Housing has been on drive-by radio in the San Francisco Bay Area monthly and weekly, talking about ‘the problem’. What do you mean you didn’t know?”

You could go to any truck stop in America at that time, and all the truckers knew.

We had a major piece of legislation, we privatized Freddie and Fannie, and I think that triggered a major change. Maybe you could tell us a little about what happened in that period.

**McDonnell:** Of course the year 2008 in the *Financial Crisis* was a real milestone year. You had Layman Brothers filing for bankruptcy, you had Washington Mutual Bank filing for bankruptcy, and a whole list of things. It’s very easy to Google and look at the list of failed banks and mortgage companies, which really started failing in about January of 2007.
So, yes, Fannie Mae and Freddie Mac were placed into conservatorship under the Federal Housing Finance Agency (FHFA). Even though the Fannie Mae and Freddie Mac loans were not supposed to be guaranteed by the good faith and credit of the citizens of the United States, they were treated as if there was a Federal guarantee.

**Fitts:** Right, so let me just add something. If you are the target of a predatory mortgage lender, and you are getting tricked out of your time and money, through that process you are then covering all the losses that they caused to the mortgage system as a taxpayer.

So, as a taxpayer you are being charged for all of their bad shenanigans, in essence. So, it’s a double-dip.

**McDonnell:** Right, and one of the things that the regulator, FHFA, required Fannie Mae and Freddie Mac to do was to start paring down their portfolio of loans to reduce risk of another systemic failure. So, if they held whole loans in their own portfolio—not just securities—they were required to find a way to repackage and securitize those loans and let them through attrition reduce the portfolio. Yet interestingly, by around June of 2007, the whole securitization capital markets dried up. There were margin calls, and this is really what triggered much of the mortgage company and bank failures that we see.

By around the second half of 2007 and then from 2008 on, the only real access to secondary market capital was through Fannie Mae and Freddie Mac. So here again, their portfolios began to swell because there was no other money in town.

But because of all the predatory lending leading up to the 2007-2008 crisis, and where you have servicers—and Fannie Mae and Freddie Mac aggressively resisted modifying their loans; I remember here in Massachusetts, the Attorney General at the time, Martha Coakley, was really advocating for them. There was huge resistance until they finally passed **HAMP (Home Affordable Modification. Program)**, but even then, so few people ever got a loan modification, and even fewer got one that wasn’t more predatory than the loan itself.

Massachusetts, the Attorney General at the time, Martha Coakley, was really advocating for them. There was huge resistance until they finally passed **HAMP (Home Affordable Modification. Program)**, but even then, so few people ever got a loan modification, and even fewer got one that wasn’t more predatory than the loan itself.
In any event, for these Fannie Mae and Freddie Mac held loans, Fannie and Freddie began auctioning off portfolios of loans – just as you said. So, this is an opportunity for, what we call, the ‘debt buyer’ to come in and buy portfolios of loans at deep discounts so that they can make a profit through games – through modifying or foreclosing on those properties.

What we are finding here is that many of our clients have really suffered from numerous transfers amongst debt buyers. It’s as though that loan is a ‘hot potato’.

**Fitts:** Mine was transferring every three months because they were doing everything that they could think of to try to default me. It was just amazing.

So, after that period, you take the predatory game to a whole new level.

I want to take this opportunity now to scare you. Can I do it?

**McDonnell:** Sure, let’s see if you can.

**Fitts:** Oh, I think I can. I have read the new proposal from the Secretary of Treasury for **privatizing Freddie and Fannie**. I have other Freddie and Fannie mortgage fraud stories which I won’t bore you with now, but I’ve read this proposal, and he is proposing – if I read it correctly – when Freddie and Fannie privatize, they will have the power to issue the Federal credit for their paper. Hence, from a credit standpoint, they will be the equivalent of Ginnie Mae. Their paper will be the full faith and credit of the US government as to principal.

So, they are going to now be a private corporation with private investors making money in a private market, but they are going to be able to borrow using a direct Federal credit. So from a principle standpoint, it is the equivalent of Treasury securities.

To make sure that this is fair to the whole industry, this ability to issue the equivalent of Treasury securities is that the principle will be given to all of their competitors. So, all of your favorite people – JP Morgan Chase and all the fraudsters – will be able to issue full faith and credit paper of the US government under the control of private investors for which you and I, as taxpayers, are liable for.

One of the reasons they want to do this, I’m sure from looking at the market, is if you want to stay as a reserve currency, one thing that keeps you as reserve currency is issuing as much AAA or AA (and this will be AA) plus paper as you possibly can. The more the world gets dependent on that paper, the better off you are.
Of course, if you issue this paper the way that the institutional arrangements are set up globally, everybody can just buy it without thinking or looking at or doing due diligence.

How are you going to issue massive amounts of new federally guaranteed credit for mortgages? Well, you are going to persuade the millennials to all become homebuyers, but you and I both know that you can’t make that economical on that scale unless the predatory model is in full operation.

McDonnell: You’re right; it’s a reset. It’s rebooting the transfer of wealth through financial engineering of the real estate and mortgage markets.

Fitts: So, all the people who picked up all those foreclosures for cheap are now going to try to flip them onto the millennials, but here is the thing: If you look at the players who then have the Federal credit, they are going to absolutely control and dominate the market.

If I can issue the equivalent of a Ginnie Mae, then all those people are going to have a much cheaper cost of capital, and you are going to hear a giant sucking sound of the origination and servicing under their control, and you are going to have further centralization. But the people who are going to have control are the people who, in my experience, have been the most predatory and difficult to deal with in this whole process.

McDonnell: What that does is, as I remember many years ago, I had a small-scale radio show series. I would talk about some of these mortgage issues. This would have been back in the early 1990’s.

I talked about involuntary taxation and voluntary taxation to help people understand what they were doing with their mortgage interest payments.

We all know that we have to pay our state and federal taxes as involuntary taxation. That is what we have to do; that is our obligation. However, when you enter into a mortgage transaction voluntarily, what you are really doing is allowing the creditor to participate in your productive day-to-day income over a period of 30 years. So, it’s like an annuity; it never ends. That is what they want; participation in those annuities coming out of our human labor – the only true source of real wealth.

So, when you make that bargain – and I could foresee that even back in the early 1990’s as I began to understand the creation and the depletion of wealth through compound interest –
when you see how much our monthly income we devote to paying involuntary taxation (taxes), as opposed to mortgage interest, much more of our budget is going to the mortgage servicing companies to keep up with those housing payments.

What this means is that by a matter of magnitude, there is more cash flow flowing through the mortgage lending and servicing system to these big banks, investors, etc. So, it is creating an imbalance. This is why our governments at the state and federal level really have a hard time going toe-to-toe with Jamie Dimon of JP Morgan Chase. They have so much capital power and, of course, they deploy this to their lobbyists and so forth to enact legislation that is favorable to the banks.

As one senator said years ago - it may have been Senator Durbin-, “They own us.”

Fitts: I spent 36,000 hours and many millions of dollars proving that the allegations made against me were false. But not every public official or business wants to spend 36,000 hours and millions of dollars.

When they engineer an attack on you; when they turn the shriek-o-meter on and come after you, it’s unbelievably expensive. We have seen, just from watching the process of the Trump Administration and the impeachment, that if you want to play warfare with the legal system and criminal allegations, you can bankrupt a person very, very quickly by running up millions and millions of dollars in legal fees in playing that game. It is a very sophisticated and dangerous game.

I think that when JP Morgan Chase picked up Bear Stearns for a song, they put a litigation fight fund of $2 billion in escrow.

If you look at who I was up against, they had billions of dollars to play that game.

I once said to one of my attorneys, “It’s a very expensive thing to have a fight with all the money on the planet.”

McDonnell: Exactly.

Fitts: The interesting thing is that if you look at your case studies— you have several case studies in your material, which we will post in the links — these people are up against all the money on the planet in a ‘funny kind of way’ because it is a centralized industry, and it is a plan.
They suddenly find themselves in the machinery, and they are one person, but they are up against a machinery that is run and operated by the attorneys who work for the most powerful people in the world and basically have a zero cost of capital. So, it is inexpensive for them to throw the book at you.

**McDonnell:** Right, and that brings us to another topic pertaining to how difficult it is for consumers to **find someone who can help them to resolve a mortgage problem.** I do what I do, and we are a small shop. The other thing is, as I often say, our clients have two fundamental problems: 1) They do not have their mortgage paperwork well-organized or at all, and 2) They cannot find an attorney who is qualified to assist them in resolving these types of mortgage issues.

By the way, talk about targeting your enemies, a number of the foreclosure defense attorneys who we know of and who we have worked with in the past here in Massachusetts have basically ‘run out of Dodge’. Many of them have had their licenses suspended.

It’s a very, very difficult business model, in terms of a law practice. Also, of course, unlike in the personal injury area of legal representation where you know you are going to have deep pockets and you know that there is going to be a payout from an insurance policy, Congress has simply not provided enough monetary incentives to induce attorneys to enter the practice of consumer law.

**Fitts:** I have to say that they have made it impossibly dangerous to work in this area. If I ever have to litigate again, I would do it pro se and then have attorneys working for me as a consultant, so I can access their brain but not put them on the front line.

I want to mention that when I was litigating, my lawyers were regularly threatened with disbarment. It was frightening to watch.

We had one former DOJ Assistant Attorney General who had become the General Counsel of the IG at HUD, and she would regularly threaten them with disbarment. She was the one we caught falsifying evidence, and we were able to produce an affidavit proving and documenting that she had falsified evidence. She had gone into our offices and moved things around. She took an empty shredding bin, filled it with garbage, and then took our accounting records, moved them, and put them on top and started to film them.
Luckily, one of the property managers said to her, “You can’t do this”, and she said, “Shut up. This is none of your business.”

He was so appalled that he gave us an affidavit and we were able to document exactly what she had done and how she had done it. It was clearly a felony. She had clearly broken the law.

She then wrote us a letter saying, “You are obstructing justice. We caught you. When we seized your offices, you were throwing out documents, and we got there just in time because you were trying to shred all these documents.” It was a false frame.

After we were able to prove that, not only had she falsified evidence, but that all the allegations were not true. When that finally happened, she quit and finally the White House fired the IG.

She quit, and do you know where she went to work? As staff to the ethics committee for the DC bar.

So, they have this entire thing rigged. It’s different place to place, but only from what I’ve seen, if you are an attorney there is no way that you can make the process work. You cannot defend the law on your own without somebody with a formidable bankroll backing you, and you still run the risk that you could be disbarred.

So, you are right. Anybody that is an attorney – with rare exception – has been ‘run out of Dodge’ and can’t make it work in an economical matter to represent people who fall into this situation.

McDonnell: The attitude of the creditor class is that all consumers who enter into these loan transactions need to know whom to pay. “They shouldn’t be asking any questions. They shouldn’t be raising a ruckus. They need to basically just shut up and take it.”

That brings us to the work we do here because what we are finding, and certainly what I have found since the whole financial crisis beginning in 2007 and peaking in 2008, is that it has become more and more difficult to find foreclosure defenses that can survive litigation. So it has become so technical, which is why you need master analyst and financial forensics in order to give you the best chance of getting to the bottom of the problem and proving what your defenses are.
Fitts:  The law is relevant, but this is math-based.

McDonnell:  Yes!

Fitts:  You have to be equivalent of a CPA. It’s like a mortgage detective, but it’s very math-based and very math-driven. Many lawyers are not math people.

McDonnell:  Definitely not, and CPAs do not know how to read mortgage servicing transaction histories.

Fitts:  They are generally not mortgage experts. You really need someone that combines a background that CPAs have and lawyers have, but it’s something else. If you look at what you are up against in the servicing industry, you need the corollary in somebody who is representing the consumer.

McDonnell:  I often describe what I do visually as a Venn diagram (mathematical or logical sets) where you have two circles that intersect one another. On the one hand, you have things that an attorney would do. On the other hand, you have things that an accountant would do. Where they intersect is my ‘sweet spot’. I have to have a working knowledge of the laws and the regulations that govern these transactions, and I have to have basic competency, not as much in accounting as it is in mathematics. Sure, there is an accounting system that is the basis of a mortgage servicing platform, but I’m not analyzing financials; I am analyzing transaction histories. I am following the money and cross-referencing that with the borrower’s records, which is where the ‘magic’ happens.

For example, in the third case study of Robert and Pamela Gabriel, I can prove that $89,500 of payments they made to a Lehman Brothers servicing subsidiary, Aurora Loan Services, is nowhere to be found in the transaction history. So those funds, we know, cleared the Gabriel’s account, and it’s possible to do this. It’s like a massive embezzlement scheme.

Thank ‘heaven’ they had enough records for me to do this analysis. I have another chart where I tracked almost $150,000 where a client made notations on their bank statements that money went to Aurora, even though we don’t have the cancelled check or a line item that shows us that went to Aurora.

So, this is why record-keeping is so incredibly important. I believe that we have established enough here.
These people are facing eviction now, and the attorney is using my affidavit to make a motion to vacate the judgement of foreclosure and reopen the case to look at this newly discovered evidence.

This is what I mean; it is so technical. I testified in court recently as I was being examined and cross-examined by the borrower and lender’s attorney. You cannot read the mortgage note and understand how that is going to function because there are hidden terms of the loan that do not show up in the note itself. You have to be able to know how to go out and find the index that creates the base interest rate, and then you have to know how to add the margin and round it according to a specified formula that is described in the note to come up with the interest rate – which changes every single month.

Then to try to follow the money concerning what actually happened, and “Is this key paragraph 22 notice accurate?” you have to be able to do all that mathematics.

I was asked several times by my client’s attorney, “Could the average consumer understand this note? Could they figure this out?”

No, absolutely not. In fact, could the court figure it out? No, not without the assistance of a subject matter expert.

It has become very, very difficult to properly raise foreclosure defenses that can withstand litigation, as in the Linda Allen case and the Robert and Pamela Gabriel case, where I can prove that money went missing. This is larceny, and grand larceny at that.

**Fitts:** One of my favorite stories was the one about the person who came home, and he didn’t have a mortgage. He went away. He was traveling for work for a long period of time and came home to discover that his home had been foreclosed and taken, even though he didn’t have a mortgage.

He wasn’t available, so nobody got in contact with him. So, he had to go to court to get his property back. Foreclosures have gotten so bad that they can literally take somebody’s property who doesn’t have a mortgage. It is quite remarkable.

**McDonnell:** It just takes filing a little paperwork in the registry of deeds.
Fitts: I remember once applying for a mortgage, and decided not to go forward with it. I got a notice from my homeowner’s insurance saying that the mortgage provider had requested they switch the insurance beneficiary to that company. I was able to stop it, but they were about to transfer the insurance to somebody who I had applied with but had never done a mortgage with. It was quite astonishing.

It goes on and on.

You have three case studies in your materials, and they are documented in very great detail. I think it is very helpful to read them because I think it is helpful to understand the machinery that we are up against.

I want to talk about Deep State Tactics now because your case studies describe you being up against legal and financial pressure, and it’s like war. But we also see situations where you are up against covert operations as well.

I will use myself as an example. When I started to litigate with all the money in the world, we started to have a very serious smear campaign and then physical harassment.

About a month ago, I got a letter from one of your former clients describing the physical harassment that she had dealt with after her property had been foreclosed and they were trying to evict her. She was really the target. I don't know the details of what she was dealing with, but it sounded like electromagnetic-directed energy or other problems like that. I am sure that they were probably listening on her phone.

I believe that one of the things that you are up against is you have a NSA machinery that is putting all the recordings and data into a group of private contractors, and I think it may be available to the big lenders. That is my theory.

Basically, they are listening to all of your phone calls, and they have the ability to use entrainment on the phone and other things.

I’ve seen situations where people are targeted electronically and end up committing suicide, not realizing that they are the target of this invisible machinery that is trying to get them to commit suicide. This kind of targeting – whether it’s phone or entrainment or other electronic things that they can do – these kinds of movements can cause you to lose your health, lose your mind, and not to mention it, makes it very difficult for you to generate an income and be good at your job, etc.
So, some of these fights can get very nasty – on the covert side as well. I am sure you know that client is dealing with these kinds of things. I shared the letter with you so that you are aware of this.

**McDonnell:** Yes, of course. I have spoken with that client in the past as I was helping her to avoid being evicted from one of her properties. She described in detail to me what is happening to her and to her health. Also, I believe she communicates with a foreclosure defense group and reports that others are suffering from similar symptoms.

I remember she also told me that at the University of Massachusetts Amherst – in western Massachusetts – they have technology that does geoengineering, and they are sending laser beams up into the clouds to alter weather patterns and so forth. I think maybe she was trying to understand if there might be any connections there. Still, I can certainly tell you that over all the years that I have been in practice, I recognized very early on that I should be working with counselors, psychiatrists, and psychologists because the impact that this sustained financial pressure involving something as primal as the roof over your head was creating physical and mental health issues for my clients. I can’t tell you how many clients have had or are battling cancer.

I’ve never attempted to connect the dots, but I’ve had this general awareness that if I had to give you a statistic as to how many of our clients are healthy versus ill, I would put it at least 50%. It’s an unusually large population of our clients dealing with these foreclosure issues who are suffering from a physical disability, illness, or whatever. I’m sure it has to ruin your immune system, making you very vulnerable.

**Fitts:** When I started to deal with all the physical harassment, my first reaction was that I couldn’t fathom that it was actually happening to me. I was a very successful person; I was rich and prominent. I couldn’t believe that it was happening in America or that it would be done to me.

When I finally computed that it was, I immediately tried to research and network. Who else was experiencing it and why was it happening? To my surprise, I discovered that the prominent use was not politics or stopping political activists. The big use was on making money in real estate. So, if you wanted to get a tenant out of a rent-controlled apartment, this was how you did it.

Another fact pattern was HUD at that time, had Section 8 vouchers, but if they could move someone out of Section 8 housing where they were getting $800 a month and move them to assisted living because they were elderly and disabled, they could get $2,000 a month.
So by inducing chronic disease, they could make significantly more money by moving that person to something that required more services, and then putting a new person into the Section 8 housing. So, you could get a lot more trades.

It appeared that the real estate industry and organized crime were basically fused to use all of this to make money on real estate. So, it’s not surprising if somebody is in foreclosure. It wouldn’t surprise me to see entrainment used to get people involved in predatory loans and then used in a variety of ways to ‘mess’ them up.

I was amazed when I first moved to Hickory Valley. I realized in talking to people through The Solari Report – talking to people all over the country –that the organized crime networks and the covert and overt sides were perfectly integrated.

Let’s assume that somebody lost their job. Within a week, Chase had an offer for a 30% credit card to them, and the drug dealer was at the door. So, you had place-based relational database marketing across both legal and illegal lines; it was fused. It was all database-driven marketing. You could really see the harvesting of people in places on an integrated basis.

I always think of you; I’ve a new word for you: You are the ‘Navy Seal’ of the mortgage industry.

**McDonnell:** Thank you! I like that one; I do!

It’s so appropriate because I take ‘deep dives’.

**Fitts:** I think it’s more than appropriate.

I did want to mention one more thing. The Administration just passed the Secure Act. I haven’t read it, but it has multi-employer plans; they are envisioning multi-employer 401(k) retirement plans. My guess is that what they are planning on doing is making it possible for all the businesses to put together retirement plans that can also do place-based investment. On one hand, all the investors in a community are struggling with low-yields, and on the other hand, the homeowners are struggling with mortgage fraud.

It seems to me a no-brainer for you to get the local community bank tied up with a group of employers. You do a multi-employer plan that can then buy mortgages, and the local community banks service them. That one is a no-brainer.
McDonnell: I often think about what it would take to actually institute a completely different competing paradigm to purchasing and owning a home from the current model which, as you can see, has been morphing from the goal of long-term sustainable home ownership to more of a predatory market where it’s just so much ‘grist for the mill’. It is so much harvesting. No one ever gets off the interest rate treadmill because they keep promoting refinancing and so forth.

Fitts: Here is the thing: If I were to go deeply into the financials of all the case studies that you provided here, I bet you ‘dimes to donuts’ that they all have IRAs or 401(k)s that are buying the ‘crazy paper’ that this machine is selling to the pension funds. So, they are losing on all sides of the balance sheet.

The way to solve the problem is to simply move the machine out and get the benefit of higher returns in your investments – in your 401(k) or IRA – and less fraud in your mortgage servicing.

This is an entire machinery that needs to be disintermediated (cutting out the middlemen). If you look at the pension funds, it’s our money. They are playing this game – whether it’s the Federal credit or the pension funds – with our money. We have the ability to back them out of our money.

I know many people think, “That’s a new way of looking at my money,” but that is what we are going to have to do. Another reason we are going to have to do it is because they are doing it all over the world. So, people all over the world are building ways of moving around the dollar because they are tired of dealing with it.

The Russians, the Chinese, and everybody is tired of dealing with this machinery. So, the world is looking for ways to disintermediate JP Morgan Chase and the machinery, and we are going to figure out how to do the same.

Let’s focus on you for a moment. How do people find you? We are going to put up your documents and exhibits. There is a wealth of information here, including your resume. I want people to see your extraordinary credentials in this area.

After we go through the materials, how do we find your website? How do we find you? How do we connect with you if people need help?
McDonnell: One very easy way would be to do a search for McDonnell Analytics or McDonnell Property Analytics or Marie McDonnell Mortgage Fraud. That will quickly get you some information.

My website is www.McDonnellAnalytics.com. My office telephone number is 774-323-0892, and we are located at 15 Cape Lake in Brewster, Massachusetts, 02631, which is in the mid-Cape Cod area.

I certainly invite anyone to contact us with questions, comments, and even feedback. I am definitely interested in knowing more about what concerns people have, what they want to know, and just get some feedback here.

My project for 2020 is going to be to develop curriculum to train other financial analysts to do the mortgage auditing work that I do, and hopefully, to program my Excel templates that I have developed and perfected over the years, and to automate them to a point where I can train others to use them accurately without having to have mastery of Excel at a high level.

And there is a book in there somewhere.

Fitts: There is a wonderful book.

McDonnell: I would be really interested to know what people would like to know more about. But generally, in our two interviews, we have really covered the fundamentals and gotten down to the essence of what these mortgage transactions really are all about in their current paradigm and what people need to do to maintain an evidence file. That is really how they should look at their mortgage documents – both the mortgage closing package and then all the monthly mortgage statements, their correspondence with the servicer, their real estate tax bills and homeowners’ insurance bills. It all needs to be carefully maintained.

Fitts: I am going to say it this way: I think the message is that if you do a mortgage, if you can originate a mortgage with a financial institution or a lender who has a record of integrity; integrity matters. The quality of the people who you are doing business with matters. If you can get one who is going to hold the mortgage and will be your servicer, that is an ideal arrangement, if possible. Whether or not you do it that way, you need to keep impeccable records, and you need to be monitoring the servicing of your mortgage. You cannot assume that the servicing will be without error or mistakes. You can also run the risk that the servicer will have ill intentions.
The faster that you catch and correct it, the safer you are. It can turn into a 16-year, or even longer, nightmare.

So, do business with people of integrity to the extent that you can, and keep documents and pay attention.

**McDonnell:** That is a wonderful summation, and I couldn’t have said it better myself.

**Fitts:** There is a war going on, and you may need a ‘Navy Seal’. So now you know.

**McDonnell:** I should tell you that some years ago a woman named Iris Martin wrote a book called *Mortgage Wars*. I have one or two chapters in that book, which are case studies of mine.

She had a Washington Mutual loan, and actually had a number of properties. She was a very successful consultant and psychotherapist. Actually, she was President Bill Clinton’s personal psychotherapist during the Monica Lewinsky affair and Kosovo. She really brought him through a lot of difficult periods in his Administration.

When she discovered that she had become a victim of mortgage fraud, she got the best people around her. She got another attorney in Florida, Neil Garfield, who runs a blog and offers some services as well. She wanted to ghost write a book for him. That didn’t quite work out, so she did the book on her own.

She brought me to Malibu where she lives, and I spent close to a week there working with her.

You are absolutely right. ‘Mortgage Wars’ is what we are up against here when you fall into the more predatory-type model.

**Fitts:** When the 2008 act that privatized Freddie and Fannie was passed, I acquired a copy of it and read it. It was hundreds of pages long. When I was finished, I called my attorney, Carolyn Betts, who just finished recording *Deep State Tactics, The Legal Aspects* with me. She has a son named Christian who was 16 at the time. I said, “Carolyn, I want you to know that I have read this bill, and given the level of fraud in the mortgage industry and the fraud that is now going to occur, it is faster and cheaper and easier for Christian to learn how to build his own house than to deal with this crazy system. There is a course at The Farm (a community in Tennessee) this summer on homebuilding, and I seriously think you ought to get Christian to take it.”
That is the ultimate disintermediation – **deleting the need for a mortgage**.

I think that we are coming into a major reinvention, and it depends on your time and interest. The day has come when it is so much cheaper and easier to do it yourself than to deal with the predators.

**McDonnell:** There is this whole ‘tiny house’ movement. Have you paid any attention to that?

**Fitts:** Yes, and I think that the tiny house movement, among other things, is a good thing. If you look at the mortgage industry before the Federal credit started ‘swarming’ in, we had a much lower square footage, and the increase in the median price of an American’s home is basically inflation plus the increase in square footage. I think that people are looking at the level of the financial predatory behavior and saying, “I would rather significantly downsize than have to deal with this machinery.”

I think that this is a response to many things, but one of them is the financial fraud.

**McDonnell:** Catherine, it has been a fascinating conversation with you today.

**Fitts:** Always, and if subscribers have questions or comments, obviously they can call you, but also, they may post their comments and questions in the subscriber input and I will make sure that Marie will have access with their subscription. One way or another, all subscribers will get all those questions and comments.

With that, just keep doing what you are doing. You are saving lives out there.

**McDonnell:** I really am. It’s amazing.

**Fitts:** You absolutely are. You can **kill people with a pen**, and that is what the predatory lending industry is doing; they are killing people with pens.

God bless you, Marie, and thank you for joining me on *The Solari Report*. You have a great day.

**McDonnell:** Thank you, Catherine. I very much appreciate the interview, and I look forward to seeing you the next time.
MODIFICATION

Transcripts are not always verbatim. Modifications are sometimes made to improve clarity, usefulness and readability, while staying true to the original intent.

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