

Fraudclosure: The End Run

How the second greatest financial fraud in history might end!

by David Chu

"I was quite shocked at what I had learned in the course of making the film [INSIDE JOB]. Quite shocked. . . . The first [thing that surprised me the most] was how low Wall Street had sunk with regard to its ethics. When I started making the film if somebody had told me that Goldman Sachs and other investment banks had been designing securities to fail so that they can profit by betting against them, I wouldn't have believed it. I would have said, "No, you know, people don't do that in the United States." But in fact they did [exactly that] with tens of billions of dollars of securities."

~ Charles Ferguson, Director of "INSIDE JOB"

The avalanche of foreclosure fraud or Fraudclosure [1] is now flooding the lamestream media.

If you haven't heard that Fraudclosure has metastasized into the latest financial armageddon for Wall Street, then you are missing out on some very important news! On the other hand, if the numerous discussions by bloggers and columnists on the cast of shady and not-so-shady characters like Mortgage Electronic Registration System (MERS), Mortgage Backed Securities (MBS), Collateralized Debt Obligations (CDO), class action lawsuits, 50 state attorney generals, foreclosure mills, robo-signers, rocket dockets, clawbacks, etc. are a bit too much for you to digest, then what you are about to read might be refreshing, well at least to ponder. [2-6]

If you had read my book, *NO FORECLOSURES!*, which was published in August 2008, especially from pages 95 through 109, you would have had a front-row seat to this Fraudclosure debacle many months before it hit the lamestream media. And if you had followed the "Five Cardinal Lessons from the Titanic," you may be in a better position now to personally benefit from this Fraudclosure.

In any case, let's cut through all the rubbish and talk about what's really important (and fun to speculate): the *END RUN*. [7]

The End Run

The \$64 billion question that everyone is asking or should be asking is this: "How will Fraudclosure end?" Or, a better question yet, "Will it ever end?" I am going to try to answer the first question and leave the latter to your imagination or consternation, whichever the case may be for you!

There are, of course, several possible scenarios as to how this catastrophic foreclosure fraud could be brought to an end, or at least out of the public limelight. The U.S. Congress could pass a law that would legalize all financial fraud involved in Fraudclosure, and, more importantly, make it retroactively so that their partners on Wall Street and Main Street would be legally protected in its totality. [8]

But because foreclosures are handled under the jurisdiction of individual states, i.e., individual state law governs foreclosures and their legal proceedings, such a massive federal intrusion

upon state laws might pit the Federal government against each of the 50 states in the Union. This could lead to the mother-of-all “states vs. the Federal government” battles. [9]

More significantly, it could drag Fraudclosure on and on in the legal system and in the public arena for many years. This is something Wall Street definitely does not want to see happen.

For example, the banksters and gangsters of big-time capitalism on Wall Street tried unsuccessfully to punt their way into the financial end zone when their Congressional partners passed the “Interstate Recognition of Notarizations Act” or H.R. 3808 on September 27, 2010. [10] I am not going to explain what this innocent sounding bill was intended to accomplish or why President Obama “pocket vetoed” it [11], but I think you might have an idea. [12] If you don’t or even if you think you do, please watch this farcical YouTube video that I have renamed, “A Little Foreclosure Fraud Parody,” found at <http://no2foreclosures.info/videos.html>.

As a *GEOPOLITICALECONOMICFINANCIAL* (GPEF for short!) student of the United States for the past 7 years on how it solves its apocalyptic problems, the following is my best guesstimate as to what is about to happen, especially after the November 2010 elections are over. [13]

The Federal government, under the public direction of the Obama administration, the U.S. Treasury, and the Federal Reserve, will “force” the entire mortgage and foreclosure industry to accept and implement what I call the “Irish Feinberg Solution.”

What is the “Irish Feinberg Solution”? That’s the *REAL* \$64 billion question and more!

According to Wikipedia [14], 97% of the victims of 911 accepted the following compensation package (comments in brackets and emphases in all capitalizations are mine):

*“The September 11th Victim Compensation Fund was created by an Act of Congress, the Air Transportation Safety and System Stabilization Act (49 USC 40101), shortly after 9/11 to compensate the victims of the attack (or their families) **IN EXCHANGE FOR THEIR AGREEMENT NOT TO SUE THE AIRLINE CORPORATIONS INVOLVED** [and the Federal government or anybody else]. . . .*

*“If a family accepted the offer, **IT WAS NOT POSSIBLE TO APPEAL** [i.e., once a family accepts the proffered money, they are legally forbidden from suing anybody, including and most especially the Federal government and its agencies]. Families unhappy with the offer were able to appeal in a nonadversarial [sic], informal hearing to present their case however they wanted [but this arbitration would be final and there would be no legal means to appeal]. . . . At the end of the process \$7 billion [of U.S. taxpayers’ money] was awarded to 97% of the families; **THE AVERAGE PAYOUT WAS \$1.8 MILLION.**”*

One *IRISH* Kenneth Feinberg was appointed by the then Attorney General John Ashcroft as the “Special Master” of the September 11th Victim Compensation Fund or “911 Fund” for short. For 33 months, he worked tirelessly and entirely for free, *PRO BONO* in legalese terminology, in administrating the 911 Fund to 97% of the victims of 911.

So what happened to the 3% of the 911 families who did not settle with the 911 Special Master? Well, they got to arbitrate with a court-appointed “special mediator” by the name of Sheila Birnbaum, another *IRISH* lawyer. [15] Ms. Birnbaum was able to settle in 92 out of the 95 outstanding cases. Total payout was almost \$500 million. The 3% families averaged \$5.4 million each, or \$3.6 million more than their 97% counterparts. It is my understanding that the families and attorneys of the 3 remaining cases are still pressing ahead for their day in court.

Mr. Feinberg did such a marvelous job that he was then appointed as the “Special Master” or the “Pay Czar” for the TARP (Troubled Asset Relief Program) Executive Compensation. [16]

This compensation limitation program was the Federal government’s big fig leaf response to the massive public outrage at the \$700 billion bailout of Wall Street in 2008 and 2009. The annual *SALARIES* of some senior executives for companies that received TARP bailout money were capped at \$500,000 per year. Interestingly, there were no mention of bonuses, stocks, or other special compensations that Wall Street is in/famous for. This program along with TARP have worked so well that Wall Street is projected to pay out \$144 billion in salary and bonuses in 2010. [17] To put this \$144 billion in perspective, the gross domestic product (or GDP) of Algeria was around \$140 billion in 2009. This means that Wall Street will pay out, in total, more salaries, bonuses, and other special compensations in 2010 than the 49th largest GDP in the world had produced, in terms of actual goods and services, as an entire country in 2009!

But our Mr. Feinberg is not finished yet. Since he has done such a wonderful job with the 911 Fund and the TARP Executive Compensation, he is now the government-appointed Administrator or “Special Master” or “Fund Czar” of the \$20 billion BP Deepwater Horizon Disaster Victim Compensation Fund.

I don’t think you need me to spell out any further as to what the role of Mr. Feinberg is intended to be in the British Petroleum (or BP) oil catastrophe.

Or maybe I do.

After the BP oil rig exploded on April 20, 2010 killing 11 workers and unleashing untold millions of gallons of oil into the Gulf of Mexico, the petroleum conglomerate was forced by public pressure to set up a \$20 billion compensation fund for the economic and financial victims of this BP-made disaster. As of August 23, about \$375 million was disbursed by BP to some of the claimants.

As a Reuters article put it, Mr. Feinberg took over BP’s compensation plan while “promising more generous treatment and a faster disposal of claims.” [18] At a recent meeting in Biloxi, Mississippi for victims of the BP oil calamity, Mr. Feinberg is quoted by the same Reuters article as saying, “I don't care what BP did. I'm in charge now. I don't care if BP denied your claim. File it again. I might find you eligible. It's a new day.”

How nice.

On August 21, Mr. Feinberg released the “Protocol for Emergency Advance Payments” which details precisely how some of the \$20 billion will be paid out. Supposedly, this protocol does not prevent claimants from suing BP later, but as Gibson Vance of the American Association

for Justice pointed out in an International Business Times article (emphasis in all capitalizations is mine):

*“[T]he protocols still leave questions to be answered about the future and final claim protocols. For example, **IT WOULD BE DETRIMENTAL TO CLAIMANTS IF THEY ARE FORCED TO ACCEPT FINAL PAYMENTS BEFORE THE FULL IMPACT OF THE SPILL IS REALIZED.**” [19]*

Is the “emergency” part of the Protocol meant to buy off the claimants *BEFORE* the full impact of the oil volcano (not a *SPILL* like you spill milk or orange juice!) is realized?

Furthermore, in an interview with Bloomberg News on June 25, 2010 [20], Mr. Feinberg had this to say (emphasis in all capitalizations is mine):

*“Don't forget, if the person filing the claim is unhappy with the result the claimant is under no obligation whatsoever to accept it. The claimant has every right to say, sorry, you don't get it. Walk away and litigate. But if they litigate be prepared for five years of litigation, give 40 percent to your lawyer. **AND I VENTURE TO SAY THE LAW WILL BE THE SAME AND YOU WILL END UP WITH NOTHING.**”*

So, what Mr. Feinberg is telling the victims of the BP oil holocaust is this: Settle with me *NOW* for I am the law appointed by the Federal government, because if you don't, *YOU* will end up with nothing later.

Are you getting an inkling as to how the “Irish Feinberg Solution” works?

For Fraudclosure to fade out of the lamestream media, someone like our *IRISH* Kenneth Feinberg will be brought forth by the Federal government as an impartial mediator or “Special Master” or “Foreclosure Czar” or whatever. His sole task will be to protect all the corporate criminals involved in foreclosure fraud from Wall Street to Main Street by implementing the following six Protocols or something similar to it:

1. The banks, lenders, and investors will be publicly “forced” (1) to take a financial shave of 10 to 40% off the original principal of all outstanding mortgages in the U.S. that is 10 to 40% underwater, i.e., the current market value of the house must be 10 to 40% below the principal of the original mortgage in order for the borrower to participate in this new program; and (2) they may be required to renegotiate the other financial terms on all such mortgages with the borrowers (i.e., interest rate, amortization period, prepayment penalty, etc.). This is the front-end of the Fraudclosure bailout.
2. In exchange for cooperating with this new program, the Foreclosure Emergency Assistance Program (or FEAP for short, which will be known to you and I as the “Irish Feinberg Solution”), the participating companies, and especially the title insurance companies, will forfeit all rights to sue one another or the Federal government and its agencies in court. Last but not least, they cannot sue the Federal Reserve. Of course, I am only guessing as to what the name and acronym of this new program might be.
3. In exchange for accepting such an offer, qualified and participating borrowers with outstanding mortgages will forfeit all rights to sue the banks, lenders, investors, servicing

companies, title insurance companies, foreclosure mills, robo-signers, etc. More importantly, they cannot sue the Federal government or any of its agencies including Fannie Mae, Freddie Mac, and the FHA. Last but not least, they cannot sue. . . .

4. There will be a time limit of, say, 12 months for every mortgage borrower that meets the requirement in Protocol 1 above to participate in this program. If they don't do so within the prescribed deadline(s), they will be foreclosed upon, if they are 90 days or more late on their mortgage payments, with no legal standing or *LOCUS STANDI* whatsoever.
5. Those who don't meet the underwater condition listed in Protocol 1 and new buyers of foreclosed properties within the past 2 to 3 years will fall into a special category to be handled by FEAP II. Exact details of FEAP II will be worked out at a later time.
6. FEAP will be funded by, you guessed it, U.S. taxpayer's future generations, your grandchildren's children. The hundreds of billions of dollars in FEAP will be conjured up out of thin air by the Federal Reserve with the help of the U.S. Treasury, and made available to make financially whole the banks, lenders, investors, mortgage servicers, title insurance companies, and the rest of the Wall Street banksters and gangsters who suffer any financial losses as a result of participating in FEAP. This is back-end of the Fraudclosure bailout, otherwise known as the "Irish Feinberg Solution."

David Chu is a professional engineer who has worked throughout the United States for over 19 years. In 2008, he wrote the book, *NO FORECLOSURES!*, to help Americans fight the banks by delaying and stopping foreclosures. For more information on his book or to get in touch with him, please go to his website at www.no2foreclosures.info.

[1] We owe a tremendous debt of gratitude to Mr. Gerald Celente of the Trends Research Institute (www.trendsresearch.com) for having the fortitude and vision to have predicted almost every major political, economic, and financial event since the 1980s, and for coining this new word, Fraudclosure, which perfectly and succinctly captures the essence of what has happened to the mortgage and foreclosure business in the U.S. since Wall Street discovered the magic of financial securitization in the 1990s.

[2] <http://gonzalolira.blogspot.com/2010/10/second-leg-down-of-americas-death.html>

[3] <http://rense.com/general92/forecl.htm>

[4] <http://www.oftwominds.com/blogoct10/foreclosure-collapse10-10.html>

[5] <http://www.dailyfinance.com/story/investing/charting-the-foreclosure-crisiss-far-reaching-consequences/19673408/>

[6] <http://4closurefraud.org/2010/10/03/kaboom-class-action-vs-mortgage-electronic-registration-systems-gmac-deutsche-bank-nationstar-aurora-bac-citi-us-bank-lps-et-al/>

[7] According to my Apple dictionary, the expression “end run” means “an attempt by the ballcarrier to run around the end of the defensive line.” In political terms, it means, “A maneuver to bypass an impediment by deceit or trickery.” As a sidebar, it’s interesting to note that “end run” sounds a lot like with “Enron!”

[8] <http://www.cnbc.com/id/39686897>

[9] It’s fascinating to note that around \$1.25 trillion worth of Mortgage Back Securities (MBS) are held by the Federal Reserve when they purchased them from the banks during the recent financial collapse. When the halcyon days of the housing bubble were in full swing, mortgages were sliced, diced, and packaged into these MBS. The Fed did their bankster partners a big favor by relieving them of these toxic assets, and it’s interesting to point out that the banks are still collecting fees and profits on the underlying mortgages! By the way, the Fed is about as *FEDERAL* as FedEx, but that’s another story.

[10] <http://4closurefraud.org/2010/10/05/action-alert-please-tell-president-obama-not-to-sign-the-interstate-recognition-of-notarizations-act/>

[11] <http://news.ino.com/headlines/?newsid=68973782866882%23col-main>

[12] By “pocket vetoing” H.R. 3808 while Congress was not in session, President Obama may have left the door open for him to sign this law *AFTER* the November 2010 elections. This is debatable. But one thing is for sure. If he had signed this law before the elections, he might have as well handed the keys of Congress to the Republicans, because the public outrage would have been tsunamic.

[13] My track record on guesstimates is not bad. When I published my book, *NO FORECLOSURES!*, in August 2008, I guesstimated as to what really happened during the demise of Bear Sterns. If you read pages 27 through 35, you will discover that what I wrote in 2008 corresponds almost exactly to the “inside job” subplot portrayed in Oliver Stone’s new movie, “Wall Street 2: Money Never Sleeps.”

[14] http://en.wikipedia.org/wiki/September_11th_Victim_Compensation_Fund

[15] http://www.law.nyu.edu/news/BIRNBAUM_9_11_MEDIATOR

[16] <http://www.wsws.org/articles/2010/jul2010/fein-j02.shtml>

[17] <http://online.wsj.com/article/SB10001424052748704518104575546542463746562.html>

[18] <http://www.reuters.com/article/idUSTRE67J1F920100823>

[19] <http://www.ibtimes.com/articles/44534/20100821/bp-makes-way-as-new-claims-chief-takes-charge.htm>

[20] <http://www.pddnet.com/news-ap-ken-feinberg-administrator-bp-compensation-fund-062510/>