Burke v Deutsche Bank
Agenda for Beck Redden

Meeting Thursday, 8/3/2018
1.30pm @ Beck Redden Offices, Houston

Type of Meeting: Discuss Case with 5th Court of Appeals

Meeting Facilitator: Connie Pfeiffer

Invitees: John and Joanna Burke

I. Introduction
II. Disclaimer
III. Questions for Beck Redden
IV. Overview
V. The Banks & Government
VI. The Banks & Mortgage Lending
VII. The Application Process
VIII. The Assignment / Deed of Trust / Note
IX. MERS INC.
X. LPS (Servicer)
XI. Ocwen
XII. BDF

XIII. BDF Software Patent

XIV. Dossier on Mark & Shelley Hopkins

XV. BDF is the Plaintiff

XVI. Securitization

XVII. Lack of Default

XVIII. No Loan Default

XIX. Sarbanes-Oxley

XX. GDP

INTRODUCTION

This is an overview of the case the Burke's have been defending. Currently, the case is being appealed to the Fifth Court of Appeals by Mark Hopkins of BDF. The case is being defended by Beck Redden on behalf of the Burkes.

DISCLAIMER

The Burkes views of the legal system are restricted to their own dealings. The Hon. Judge Smith is a very brave man and one we could not thank enough for his help in trying to correct a corrupt foreclosure system.

We have strong views and opinions and we wish to add this disclaimer to say that we understand our views may not be echoed by legal counsel and hope you can accommodate our opinion as we move forward to trial.

"Laws alone cannot secure freedom of expression; in order that every man present his views without penalty there must be spirit of tolerance in the entire population."

— *Albert Einstein*

QUESTIONS FOR BECK REDDEN

a) We prefer an oral argument in the COA, will Connie present with the research done by Parth Gejji (associate that worked with Hon. Judge Patrick Higginbotham at 5th COA)

b) What did your "expert" conclude on Judge Smith's opinion and ruling?

c) What is the best form of argument, do we seek to show BDF/Hopkins as debt collectors? If so, what discovery or depositions will be needed? (FDCPA) Will this lead to the case being dismissed entirely, with prejudice?

d) Do we seek to challenge the Trust and Pooling Agreement or reverse and go with the "lack of default / no loan default" argument?

e) Do we reignite the question re fabrication of income on application? While the constitutional arguments presented were rejected by the Court, there has been FDCPA rulings stating it as a material issue, should we add this in argument?

f) Can we incorporate corporate fraud and lack of transparency as required under Sarbanes-Oxley (SOX) Act and considering the current GDP statistics, which invites "creative accounting" e.g. Enron, Bernie Madoff, Allen Stanford (as with any ponzi scheme)?

OVERVIEW

In 2007, the Burkes applied for a home equity loan, which was initially rejected by IndyMac Bank, F.S.B. because they had no income. (Dkt. 74, Tr. 81-82)

Some time later, a different representative of IndyMac Bank called to advise that the loan would be approved, and that the Burkes' previous contact at the bank had been fired. (Tr. 82)

On May 21, 2007, Joanna Burke alone executed a note containing a promise to pay IndyMac Bank $615,000 plus interest in certain monthly installments in exchange for a loan from IndyMac Bank in that amount. (P.Ex. 3; D.Ex. 11;Tr. 36-37, 45-48)

The note was secured by a Texas Home Equity Security Instrument (a deed of trust) placing a lien on their home in Kingwood, Texas. (P.Ex. 1)

Under the deed of trust, John and Joanna Burke were the borrowers and IndyMac Bank was the secured lender as well as the loan servicer. (P.Ex. 1; Tr. 62-63)

At closing the Burkes signed an affidavit expressly representing that the amount of the loan did not exceed eighty percent (80%) of the fair market value of the property on the date the extension of credit was made. (D.Ex. 11)

No evidence at trial was offered to contradict this representation.

The closing of the loan occurred more than twelve (12) days after the Burkes' initial loan application.

At all times relevant to this case, the Burkes were retired and had no employment income. (Tr. 81)

Four days after closing, the Burkes received a copy of the final loan application as well as all documents signed by the Burkes at closing. This documentation included an unsigned loan application form falsely declaring

that the borrowers' employment income was $10,416.67 monthly (or exactly $125,000 per year). (Tr. 79; D.Ex. 2)

This false income declaration was knowingly made by IndyMac because the Burkes never claimed any employment income during the loan process. (Tr. 80-82). The Burkes promptly notified IndyMac of the inaccurate income figure, but no satisfactory answer was ever given. (Tr. 83-84).

During closing at Stewart Title, in Kingwood, TX, at that time the Burkes were deluded into signing a trust deed and promissory note, where Indymac was the lender. Deutsche Bank was not the company stated in the promissory note or the trust deed, or on any other documentation.

The Burkes were never informed and were deliberately induced into signing a Negotiable Instrument, however it was never intended as such, but as collateral for an MBS Trust. This was a "material disclosure" (TILA) which would make the contract voidable.

This was never explained at closing and no representatives from Deutsche Bank, Indymac or MERS were present, only the closing officer who failed to stop the closing as the mortgage application, was unsigned and had a false income entered and we were signing so much we just signed where indicated without any advice or input from the closing officer at the title offices.

Assignment to Deutsche Bank by MERS acting solely as **nominee** for Indymac Mortgage.

IndyMac became IndyMac FSB and then it was liquidated and closed by FDIC. OneWest was next and they failed as well. This ratifies what the Hon. Judge Smith stated many times in his rulings, IndyMac was closed so there is not a valid contract.

BDF created the false affidavit in 2011, not the lender IndyMac Mortgage.

The Affidavit is false on its face (forged electronic signature Brian Burnett) Affidavit signed by known Robo signer Brian Burnett cited in over 30

foreclosure cases and censured by presiding Judge in many states nationwide.

OneWest/MERS robo-signer Brian Burnett executes the mortgage assignment as Assignor and Assignee in capacity as Vice President of MERS as nominee of a now defunct lender IndyMac, which closed down some 4 years prior.

As stated in Doc 144, filed 21st December, 2017, there is no record of the mortgage being sold or transferred by the liquidator of Indymac / Federal Mortgage.

There is no record that the loan was purchased by Deutsche Bank National Trust with a recorded and unbroken chain of title detailing confirmed sales by Indymac, IndyMac FSB, OneWest Bank and confirmed purchases by Deutsche Bank National Trust.

The transfer and true sales by Indymac through chain of title / purchase to Deutsche Bank National Trust did not occur and provides evidence that the "clean" chain of title (per strict rules) has never been submitted during litigation.

Closing date for Trust was July 1st, 2007 therefore Deutsche Bank as Trustee cannot accept mortgages in 2011, by recording sales to the Trust and not in accordance with New York Law regulating tax free status and trust regulations.

Note: currently, Ocwen services our loan and we just see them adding exorbitant fees and as you submitted, our $600k debt is near the $1.1m mark, the difference is fees and costs applied by the servicer. That is another area you may wish to address.

Moreover, unlike our pro se status, plaintiffs were represented by qualified real estate attorneys throughout 8 years of these proceedings. They have had more than ample opportunity over the previous 8 years and failed to present their case - as it is hard to remember a fabrication.

Hence, we believe, there is sufficient proof to withstand a motion to dismiss with prejudice, supporting the Hon. Judge Smith’s ruling.

THE BANKS & GOVERNMENT

The Banks and Government are intertwined;

https://en.wikipedia.org/wiki/Structure_of_the_Federal_Reserve_System

Therefore, the Banks cannot fail.

With the foreclosure scandal, where lenders were selling “bad loans” to the likes of the Burkes, it became a material issue. The problem was so large, that there is only one option for the Government, support the Banks via our Court system and illegally foreclose millions of homes in the United States.

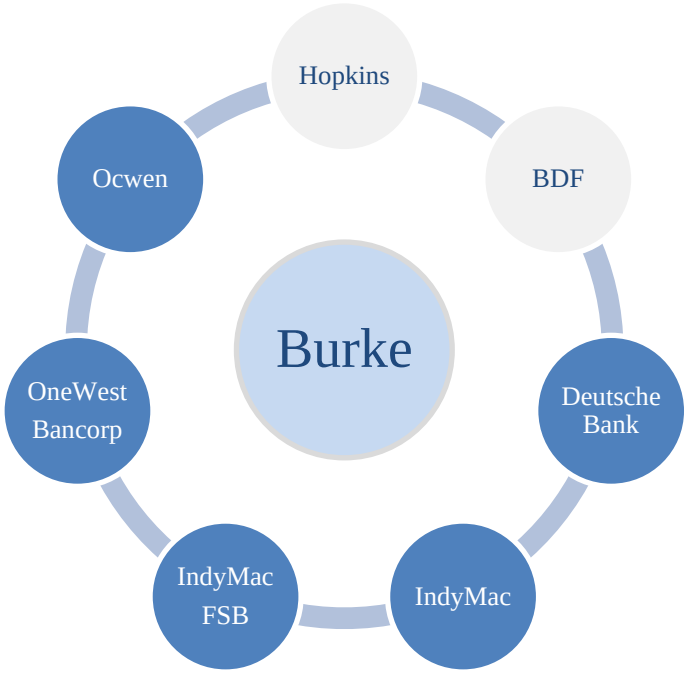
Why? Because you cannot have the public rise against the establishment, that would cause, in their view, anarchy and dissent and perhaps on a frequent basis.

Sheila Bair was forced out of the Chairmanship of the FDIC by Geithner when it became obvious that this was a game she was unwilling to play. Even worse she was making her opposition public, essentially saying that the government was becoming complicit in a criminal conspiracy (not her exact words, publicly but evidence suggests she said exactly that to Geithner and probably Obama).

FACTS as admitted by a Servicer in 2018 deposition: They fabricated and forged documents to create a chain of title. They justified it on grounds that it would be cost prohibitive to get a title report and then request or demand execution of affidavits and other documents that would clear up the presently fatally defective chain of title. The present title shows that they have no legal ownership or other interest in the loan. The fabrication and forgery is just an efficient way to change title, such that it reflects the self-proclaimed interests of parties who wish to enter the foreclosure arena.

https://livinglies.wordpress.com/2018/03/05/ok-we-fabricated-and-forged-the-documentation-so-what/

THE BANKS & MORTGAGE LENDING



Deutsche Bank – trustee

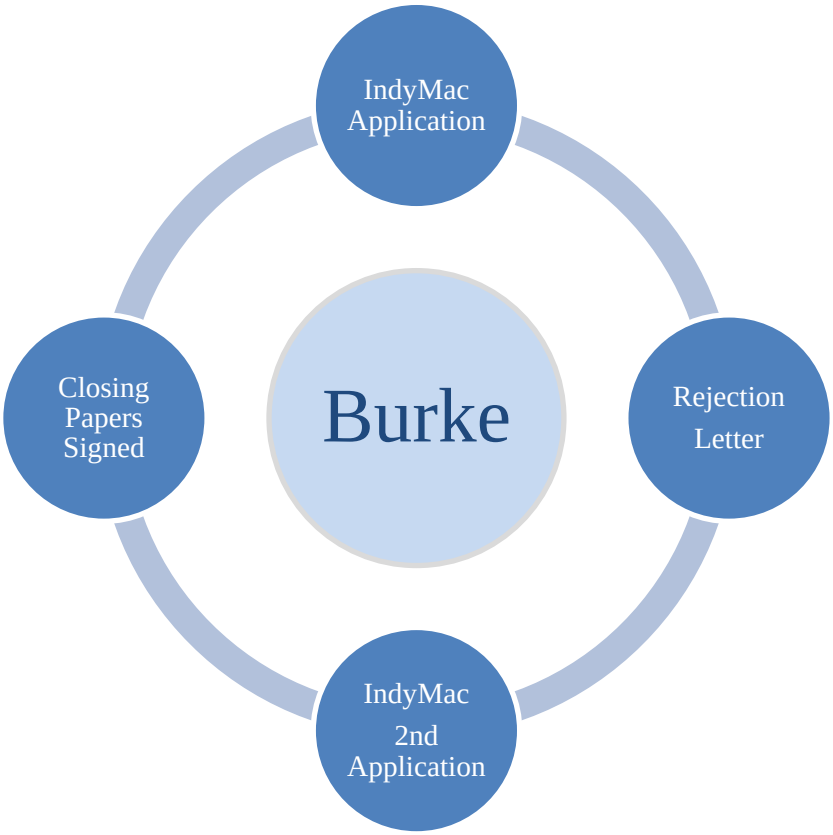
IndyMac – Originating Lender (failed)

OneWest Bank – Lender briefly (created after collapse in 24 hrs – failed)

IndyMac FSB – Lender after collapse (failed)

Ocwen – Mortgage Servicer

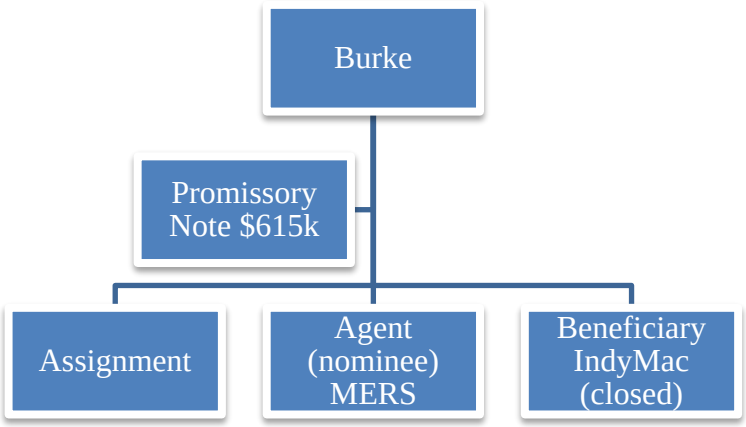
THE APPLICATION PROCESS



It is well documented that Deutsche fabricated the file and at our Hearing with Judge Lynn Hughes, (when we were plaintiffs), he stated to opposing counsel (Ackermann, now defunct) stating that “you better get your ducks in line” regarding supplying wrong loan papers in Chambers meeting. This continued during the ongoing trial, documents were created and false affidavits submitted.

Do we reignite the question re fabrication of income on application? While the constitutional arguments presented were rejected by the Court, there has been FDCPA rulings stating it as a material issue, should we add this in argument?

THE ASSIGNMENT / DEED OF TRUST / NOTE



On June 6, 2013, a Texas Bankruptcy Court decided *Saldivar v. JPMorgan Chase*, 2013 WL 2452699 (Bky. S.D. Tex. June 5, 2013) (holding securitization trustee's claim to the mortgage is void *ab initio* if it cannot show that it received physical delivery of loan documents prior to the closing of the securitization trust).

ASSIGNMENT IS VOID

"However, if the assignment was void, ab initio, because it occurred after the closing date, the Saldivars do have a valid argument that Chase and Deutsche Bank are not valid Note Holders."

https://www.gpo.gov/fdsys/pkg/USCOURTS-txsb-1_12-ap-01010/pdf/USCOURTS-txsb-1_12-ap-01010-0.pdf

MERS (MORTGAGE ELETRONIC REGISTRATION SYSTEMS, INC)

The Banks and MERS.

https://livinglies.files.wordpress.com/2018/02/abstract-us-residential-mortgage-transfer-systems-a-data-management-crisis.pdf

Firming up on the Hon. Judge Smiths' ruling and opinion, here is the definition of MERS and their capacity is clear, they are nominees, not beneficiaries.

MERS and Mortgage Recording

The purpose of the MERS was to serve as the "mortgagee" in the county land records for mortgages registered on the MERS system. The corporate members of MERS have entered into a membership agreement with MERS in which the member agrees that MERS, Inc. shall serve as their **nominee** as the mortgagee* in the land records in exchange for the Member registering the mortgage on the MERS system.

* the lender in a mortgage, typically a bank.

LPS (LENDER PROCESSING SERVICES)

LPS (servicer) is now owned by Fidelity, who change name to Black Knight Fin Svcs in Oct. 2017. Black knights are usually portrayed as villainous figures who use this anonymity for misdeeds.

LPS were not involved in Burkes' case but it is very important as it was the start of the unveiling of the largest mortgage foreclosure scam in American history.

The Banks have admitted to fraud, yet it's on a State by State basis. Here is NJ

a. During a period from at least January 1,2008, to December 31,2010, certain Servicers authorized specific persons employed by certain subsidiaries of Lender Processing Services, Inc., to sign Mortgage Loan Documents or assist with the execution of Mortgage Loan Documents on their behalf.

b. Some Mortgage Loan Documents generated and/or executed by certain subsidiaries of Lender Processing Services, Inc., on behalf of Servicers contain defects including, but not limited to, unauthorized signatures, improper notarizations, or attestations of facts not personally known to or verified by the affiant. Some of these Mortgage Loan Documents may contain unauthorized signatures or may contain inaccurate information relating to the identity, location, or legal authority

of the signatory, assignee, or beneficiary or to the effective date of the assignment.

http://www.nj.gov/oag/newsreleases13/Lender-Processing-Services.pdf

And currently in Florida:

https://livinglies.wordpress.com/2018/03/03/55101/

OCWEN

Texas v Ocwen

https://www.housingwire.com/articles/40095-texas-orders-ocwen-to-stop-acquiring-new-mortgage-servicing-rights

BARRETT, DAFFIN, FRAPPIER, TREDER & WEISS, LLP (HEREIN REFERRED TO AS "BDF")

BDF controls everything, from fabrication of documents to foreclosure. They do the "undertakers' job" and the banks walk away knowing that they've already been paid by unwitting investors and insurances. Banks allow BDF to use their name in filings as part of the kickback deal. BDF is a debt collector, not a lender or a trustees' lawyer.

Here's an extract of a sanction of $150,000 in 2007 against BDF in Houston. The Smith case is one of several referred to in the order.

c. In re Smith, Case No. 04-41212 (Bankr. S.D. Tex. 2004)

At the hearing, counsel explained that the series of motions were meant to address a first and second lien on the same property. There was no explanation in the motions that would have allowed the debtor, the Court, or anyone else to understand that. No note or other documentation was attached to the motions that would have made this clear. Counsel explained that the first motion was incorrectly filed for the second lien instead of the first lien. The second motion was filed to correct the first motion. The third motion was for the second lien. This had confused Barrett Burke's case manager, a paralegal, causing the third motion to be withdrawn by accident under the belief it was a duplicate motion.

That explanation suggested that pleadings were being drafted by computer and managed by paralegals, without adequate professional oversight and review, or that Barrett Burke's pleadings were meaningless boilerplate.

The Court expressed its concern over the confusing pleadings. The Court emphasized the importance of assuring that "the motion makes sense on its face and that the Court can understand what's going on in a case and it doesn't have to, sort of, try to put it all together."

PATENT

System and Method for Electronic Processing of Title Records

Publication number: 20070214120

Abstract: A system and method is disclosed for automated processing of large volumes of title record case files for paperless transfer, review, and storage of documents. The incoming case files may be received in electronic or paper form. The invention also provides a means for electronic processing, review, and analysis of title records. Imaging is performed by indexing all documents as digital images relative to a specific case file, such that querying for accessing the case file is greatly simplified. The processes comprising case origination, electronic review, curative distribution, and imaging/indexing can be performed at any location with network access to the database, without detracting from the high efficiency and quality of the processes performed. The invention also provides for electronic and manual interfaces for outgoing or incoming documents, notices, and correspondence, in paper or electronic form.

BDF bought a patent from Carl A Neindorff in 2007, resubmitted under its own brand name in 2008 and on review you can see that the Carl holds the job title of Director of Title Services for foreclosure law firm MWZM out of Dallas.

https://patents.justia.com/assignee/barrett-burke-wilson-castle-daffin-frappier-llp

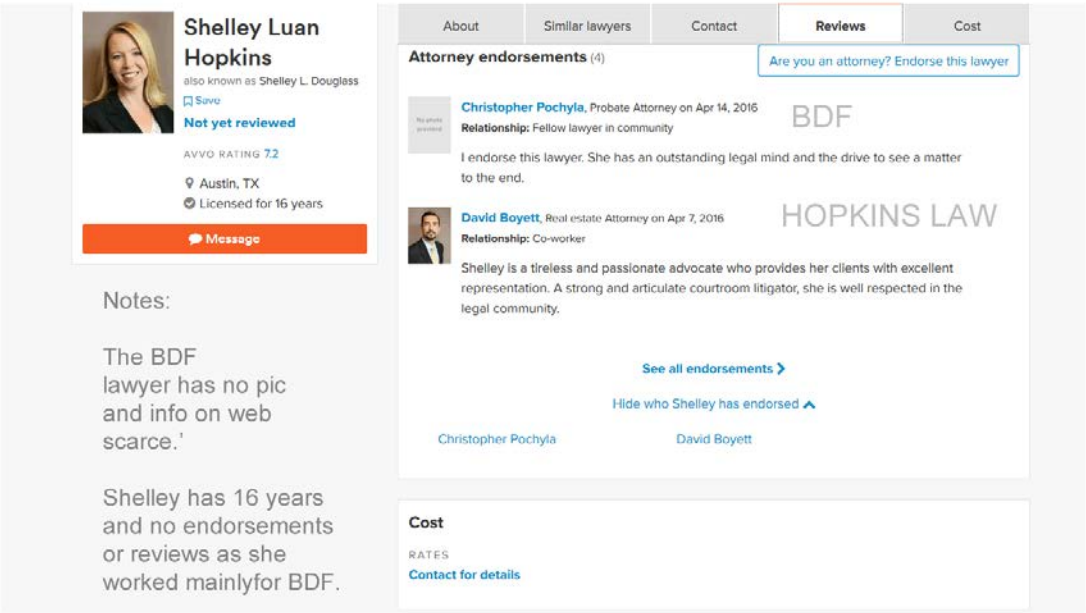
https://www.glassdoor.com/Reviews/Mackie-Wolf-Zientz-and-Mann-Reviews-E804504.htm

DOSSIER ON MARK & SHELLEY HOPKINS

Shelley Douglas, formerly of BDF lawyer, had an affair and subsequently married Mark Hopkins.

Mark Hopkins ended his long term relationship with his fellow practice and setup a new firm with him and Shelley.

Notes; Shelley Hopkins was used as an “expert witness” during her affair with Mark Hopkins, without this being disclosed to the bench or the other side in a foreclosure hearing and based on the expert testimony, the homeowner lost his house. They will use whatever unethical tactics necessary to collect an illegal debt.



Avvo profile shows no reviews or endorsements from any independents, only staff and BDF.

Mark Hopkins did not change the company name on our case or notify anyone until it was raised by the Burkes.

This was documented in prior court records.

Osly “Frank” Deramus is Shelley’s father, an administrative law judge in the Social Security offices in Dallas. Prior to this post, he was a general lawyer for - the FDIC.

We struggle to find this acceptable, while they practice cases inside and as debt collectors, not even for the good of man.

Note; BDF also are heavily involved in the Supreme Court of Texas “Home Equity Loan Foreclosure Task Force”, something we’re not thrilled about either as they write up the process to expedite foreclosures.

HOPKINS LAW IS AN EMPLOYEE OF BDF

We are convinced, this Hopkins Law entity is only for tax purposes (tax fraud).

We are unable to locate a single case on Hopkins busy dockets which does not have BDF involved.

That means, quite simply, BDF employs Hopkins.

Note; He dissolved his long-term business partnership, in our opinion, as the income the practice was receiving from foreclosures far exceeded that of the general practice and Shelley wasn't about to share after her union with Mark. That greed is their downfall, as now they have no other source of income to show they do work outside of foreclosures.

BDF and Hopkins are Debt Collectors, that's all they do in their foreclosure mill.

A "debt collector" under the FDCPA is "any person.. in any business of which the principal purpose of which is to collect debts" or any person "who regularly collects or attempts to collect … debts owed …. another." [15 U.S.C. Section 1692a(6)]

The homeowner shows this by a statement on correspondence from the Financial Institution, private investment group, REMIT or assignee stating:

"The Financial Institution, private investment group, REMIT or assignee is attempting to collect a debt. Any information obtained may be used for that purpose."; or

"The Financial Institution, private investment group, REMIT, assignee is a debt collector under the FDCPA [15 U.S.C. Section 1692a(6)]."

BDF IS THE PLAINTIFF

If we lay out an analogy, I (Joanna) had a case in court regarding a credit card debt which I disputed and refused to pay. During the trial, I advised the Court he was a debt collector, not a lender and did not have authority to "offer a settlement" which the Judge had asked directly to opposing counsel (debt collector) and he claimed he could. I was proven correct, he lied to the Judge and the case was subsequently dropped.

The same applies here, we have not seen a single letter or document from Deutsche Bank in 8 long years. Why? Because BDF owns the debt and the bank (trustee) is not a party and even if it claims it is, does not have evidence supporting the chain of title to sue.

Sure, banks do keep current default cases and pay "flat fees" for foreclosure services, but on an aged dispute like the Burkes, and when we beat the odds and found an honest Judge, we believe that the "write-off" period has already happened – and that occurred when Mark Hopkins was appointed. He's a bounty hunter and cherry picks the best homes and buys the file and continues like DB is still the interested party.

Why are they hiding? Everywhere on the web is minimal information. Even the main email they use now, bdfgroup.com – pulls up a dead page. The concern here is the "secret society" approach, you can look up Mark D. Hopkins, Charles R Haag, William H. Compton and any other employee of BDF and the search results are sparse. It would appear they pledge the oath to never be seen on Google search.

For a company which is a member of the Texas Bar Association, the ability to mask and hide from public view should be prevented. The Individual State Bar card, which is open to the public, provides very little information and our understanding is that the member completes most of it. You don't see the executives or staff of major banks and lending institutions hiding.

SECURITIZATION

Court of Appeal, Fifth District, California.

Thomas A. GLASKI, Plaintiff and Appellant, v. BANK OF AMERICA, NATIONAL ASSOCIATION et al., Defendants and Respondents.

F064556 Decided: July 31, 2013

In this appeal, the borrower contends the trial court erred by sustaining defendants' demurrer as to all of his causes of action attacking the nonjudicial foreclosure. We conclude that, although the borrower's allegations are somewhat confusing and may contain contradictions, he nonetheless has stated a wrongful foreclosure claim under the lenient standards applied to demurrers. *We conclude that a borrower may challenge the securitized trust's chain of ownership by alleging the attempts to transfer the deed of trust to the securitized trust (which was formed under New York law) occurred after the trust's closing date***.** Transfers that violate the terms of the trust instrument are void under New York trust law, *and borrowers have standing to challenge void assignments of their loans even though they are not a party to, or a third party beneficiary of, the assignment agreement.*

https://livinglies.wordpress.com/2013/07/31/perils-of-pooling-onewest/

https://livinglies.wordpress.com/2013/07/30/perils-of-pooling/

https://patents.justia.com/patent/20080201190

“The customary business practice of the mortgage banking industry is that the legal services required to enforce a security agreement are set in accordance with *investor* guidelines.” – BDF Patent

LACK OF DEFAULT

Another approach to our arguments, Lack of Default, reversing the question of if there is a trust to saying, ok if there is a trust and you make payments every month, there is no default…and we are in good standing and being foreclosed without merit.

One of the main reasons many cases do not make it to daylight is because of the failure to allege lack of default. Despite many lawyers knowing that this is the case, and that there is no default, many still fail to make the allegation. On what basis can a lawyer allege lack of default for a homeowner facing foreclosure?

The Note and Security Instrument

The note is not the obligation but evidence of the obligation (for proof of this, in many cases the security instrument refers to the note as the evidence of the obligation). Lawyers usually describe the obligation arising when one party accepts money from another party. The note usually describes who the parties are that are obligated in the section titled OBLIGATIONS OF PERSONS UNDER THIS NOTE. This section of the note states:

> If more than one person signs this Note, each person is fully and personally obligated to keep all of the promises made in this Note, including the promise to pay the full amount owed. Any person who is a guarantor, surety or endorser of this Note is also obligated to do these things. Any person who takes over these obligations, including the obligations of a guarantor, surety or endorser of this note, is also obligated to keep all of the promises made in this Note. The Note Holder may enforce its rights under this Note against each person individually or against all of us together. This means that any one of us may be required to pay all of the amounts owed under this Note.

So the note, which is bargained for by the "lender", contains a contractual provision obligating others who are guarantors, sureties or endorsers.

What party would act as a guaranty or surety to your loan? Most notes and security instruments contain the language stating that they are "Fannie Mae/Freddie Mac UNIFORM INSTRUMENT", or some derivation of one or the other entity. These are the most common. It may come as a surprise to many, but Fannie Mae and Freddie Mac provide a guarantee in their corporate capacity

where they guarantee the payment of principal and interest on time to investors whether or not they receive the payment from the borrower. Many may also be surprised to learn that the fee for this guaranty comes out of the interest portion of the borrowers payment. Without the borrowers knowledge or consent. The guarantee goes far beyond this. In most public and private securitizations which are not Fannie Mae or Freddie Mac deals, the servicers and even the trustee is required to make payments of principal and interest when they do not receive them from the borrower. Thus there are many entities obligated by both contract and conduct.

Moving to the Security Instrument, in most cases it provides the following:

> BORROWER COVENANTS that Borrower is lawfully seized of the estate hereby conveyed and has the right to grant and convey the Property and that the Property is unencumbered, except for encumbrances of record. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to any encumbrances of record.

Further, the Security Instrument usually goes on to say:

> The notice shall further inform Borrower of the right to reinstate after acceleration and the right to bring a court action to assert the non-existence of a default or any other defense of Borrower to acceleration and sale.

While some courts have ruled that state statutory scheme does not allow for a lawsuit to stop a foreclosure, there is a contractual provision to file a pre-emptive lawsuit in many cases. Note that the Security Instrument referenced in this case is in a non-judicial state. Every state is different, especially judicial states. As always, consult qualified legal counsel FIRST, before relying on any other source.

Lawyers, if this provision is provided for in your clients documents, it may be wise to make use of it in your pleadings.

Examples of guarantors and sureties in securitization of mortgage-backed securities:

- Fannie Mae (guarantee backed by Fannie Mae in their corporate capacity)
- Freddie Mac (guarantee backed by Freddie Mac in their corporate capacity)

- Ginnie Mae (guarantee backed by the United States of America)
- World Savings Bank REMICs (i.e. World Savings REMIC 15, etc.)
- All or most other public and private securitizations.

Note that the payment of principal and interest even when not received from the borrower is standard in the industry, not only with mortgage-backed securities, but with securitizations involving cars, boats, RV's, airplanes, student loans, etc.

UCC Counterclaims: N.C.G.S. § 25-9-601 et seq. details the repossession process that a creditor must follow, and provides for counterclaims on multiple bases. A consumer may bring counterclaims for, among other violations, repossession of vehicle without a valid security interest; breach of the peace during repossession; **repossession despite lack of default**; improper notice of sale of the repossessed vehicle; failure to sell repossessed vehicle in a commercially reasonable manner; failure to send notice of deficiency or surplus post-sale; and failure to respond to various information requests from the consumer about his or her account. Actual damages may include, but are not limited to, the loss of the value of the vehicle, pursuant to N.C.G.S. § 25-9-625(b) and (c)(1). There are also small statutory damage amounts applicable to some counterclaims. See,

e.g., N.C.G.S. § 25-9-625(e)(5).

NO LOAN DEFAULT

Every month public and private securitized trusts provide statements reporting aggregate financial information to investors, ratings agencies, consultants, and any other interested party. These statements provide financial accounting information for the MBS pool including each tranche and in many cases details down to the loan level.

While these statements vary among the different transaction parties, there are many similarities. Typically these statements are issued by entities such as Wells Fargo Bank, Deutsche Bank, The Bank of New York Mellon, OneWest Bank, and many others.

The first page usually names the deal and the contact information for the party providing the statement, as well as various deal dates (Cut-Off Date, Close Date, First Distribution Date, etc.). In this case the External Parties are listed as follows:

- Seller: Goldman Sachs Mortgage Securities
- Servicer(s): BAC Home Loans Servicing LP
- Underwriter(s): Goldman Sachs & Co.
- Swap Counterparty: Goldman Sachs Capital Markets LP

Before we get into Servicer advances of principal and interest we will look at the class tranches, payments of principal and interest on the certificates, and the allocation of realized losses.

Numerous classes of securities are typically sold to investors (offered certificates) or held by insiders (non-offered certificates). The senior classes typically receive principal payments, while the subordinate classes are reduced by losses. Reviewing the Certificate Payment Report part of the statement you can see how this works. Review multiple statements to watch this work over time.

Moving along to the Collection Account Report, notice the collections of principal and interest for each loan group and the total for all loan

groups. The statement I am currently looking at (First Franklin Mortgage Loan Trust 2006-FF3), the principal collections for Group 1 was $417,361.15 and Group 2 was $719,220.60, totaling $1,136,581.75. The interest collections were $262,819.43 for Group 1, $472,946.16 for Group 2, for a total of $735,765.59.

Because the payments of principal and interest were insufficient (some of the property owners did not make payments), the principal advanced by the servicer(s) was $91,315.43 for Group 1 and $144,747.40 for Group 2, totaling $236,062.83. The interest advanced by the servicer(s) was $236,829.99 for Group 1 and $430,684.21 for Group 2, totaling $667,514.20.

Interestingly, the Non Recoverable Advances was listed as $0.00 for Group 1 and $0.00 for Group 2, totaling $0.00.

So pursuant to the governing documents, the servicer(s) is/are making advances of payments of principal and interest to the investors, who receive the full required payment of principal and interest on the underlying loans whether or not the property owner pays or not.

We already know that the servicer reports principal and interest payment advances to the investors but does NOT report principal and interest payment advances to the property owners or to any state, federal or bankruptcy court involving property owners in litigation.

Is the servicer required to report the same information to the investors that it reports to the homeowners?

SARBANES-OXLEY

Sarbanes–Oxley Section 302: Disclosure controls

Under Sarbanes–Oxley, two separate sections came into effect—one civil and the other criminal. 15 U.S.C. § 7241 (Section 302) (civil provision); 18 U.S.C. § 1350 (Section 906) (criminal provision)

The purpose of Sarbanes-Oxley legislation is to put in place financial controls in order not only to reduce fraud, but to identify risks so that the controls can be expanded or new controls put in place. Large companies such as Deutsche Bank have compliance departments and ethics lines where questionable conduct (unlawful or not) can be reported “safely” in order for the company to take action to stop and/or remediate the questionable conduct. This is done so that a business operates safely and soundly, and is the perfect source for implementing new controls, enhancing existing controls, testing the effectiveness of the controls, or at least disclosing material deficiencies that can be identified and corrected at a later date.

Clearly, none of the above was applied to mortgages.

GROSS DOMESTIC PRODUCT (GDP)

In a recent article published, a staggering statistic was announced about the Gross Domestic Product (GDP) in the United States. Let me preface this by stating that twenty years ago, the financial services industry only contributed 16% of the GDP, while manufacturing, goods and services comprised the bulk of the GDP for the U.S. Meaning that goods were being manufactured, services were rendered and the economy is flourishing because of work product that actually produces something that is consumed, or services that are performed to promote the sale of goods. When money moves through the system, the system is healthy and grows. Conversely, when the system is stagnant and money stalls, the system tries to bury its head and consumers suffer all forms of malady.

Fast forward to today's reality. The financial services industry now contributes 48% of our nations' total GDP! Nearly half of what we are "worth" as a nation is derived from an intangible, non-product industry. Let's examine the cause and effect of this crippling statistic. When Banks and lenders like Washington Mutual, World Savings, Countrywide and their ilk began using Wall St. profits from the sale of AAA rated mortgage-backed securities, then allegedly pooled them into REMIC Trust entities for reporting purposes, a dragon was released with an insatiable appetite for more, more, more.

Guys like Mozillo, Dimon, Bernanke, Paulson, and Fuld, along with a cavalcade of Goldman Sachs alumnus, became the belles of the ball. Men with little to no real business experience suddenly were thrust into policy making positions and these guys were self-convincing economists and captains of their "industry". Not one of these quasi-businessmen had any idea what it meant to provide a tangible product or service to the average American, yet wielded immense power at the state and Congressional level.

Professor William Black of UMKC, and White Collar Crime specialist for the Administration, labeled the new system of accounting treatments as "control fraud". This is where the fraudulent practices are crafted at the top and anyone who wants to make a living can either participate or starve.

When half of our entire economy relies on a monetary policy that rewards thieves with riches and prosecutorial immunity, the global effect is catastrophic.