SPONSORSHIP OF REPORT

Preparation of this report was conducted by Americans Against Mortgage Abuse™ [AAMA]. AAMA is a newly formed nonprofit established to combat predatory lending. AAMA's mission is "to defend and protect Americans and the American dream of home ownership from unlawful, fraudulent , criminal, unethical and illegal acts."

Our Goals Include:

1. Author and conduct consumer and educational research into predatory mortgage lending and mortgage abuses;
2. Author editorials, articles and reports on predatory mortgage lending and mortgage abuses;
3. Cause predatory mortgage lenders to cease their predatory lending practices;
4. Cause predatory mortgage lenders to change their policies, practices and procedures;
5. Cause predatory mortgage lenders to provide fair, reasonable and just compensation to the victims of their predatory mortgage lending abuses;
6. Conduct and sponsor seminars and conferences on combating predatory mortgage lending;
7. Create a "databank" and "database" of predatory mortgage lenders, their executives and employees including their direct business and home phone numbers, home addresses, names and numbers of spouses, neighbors and family members;
8. Create a "databank" and "database" of predatory mortgage lending articles, reports, complaints, cases, litigation, policies, memos, codes, and documents for regulation, litigation, and corporate resolution support;
9. Define forms and types of predatory mortgage lending practices, schemes and abuses;
10. Draft, propose and put forth corporate resolutions, ordinances, regulations and laws on predatory mortgage lending;
11. Educate consumers, the public, the courts, Congress and corporate America on predatory mortgage lending practices, frauds and schemes and their consequences;
12. Expose predatory mortgage lenders, their leaders and supporters;
13. Focus attention on the national and community crisis of predatory mortgage lending;
14. Infiltrate predatory mortgage lenders and expose their illegal, fraudulent and criminal behavior;
15. Insure that banks, investment firms and mortgage servicers comply with Federal and state laws and regulations;
16. Investigate and confirm predatory mortgage lending abuses;
17. Organize protests, boycotts, letter writing, e-mail and telemarketing campaigns against predatory mortgage lenders, their leaders and supporters;
18. Provide regulators, lawyers, press, media, civic groups, Congress, State AGs and others investigating predatory mortgage lending with a "blueprint" and "genetic" map of how predatory lenders operate their various schemes, scams and programming methods;
19. Shed focus and light on predatory mortgage lending practices; and
20. Support "fair" and "reasonable" alternatives to litigation in predatory mortgage lending cases.

PURPOSE OF REPORT

The purpose of this report is to provide individuals and organizations examining, investigating and studying predatory lending and mortgage abuse. Whether you are a journalist, law maker, lawyer, consumer advocate, banker, mortgage servicer, regulator or investigator, this report is designed to provide you useful and topical facts, information and data on predatory lending.

Our Objectives Include:

1. Create A Definition Of Predatory Lending;
2. Defining Various Forms Of Predatory Lending;
3. Highlight Predatory Lending Practices;
4. Offer Recommendations & Suggestions;
5. Outline Schemes, Scams & Abuses; and
6. Provide Information, Facts & Data On Predatory Lending.

Before we begin, did you know that:

- U.S. Government studies report that up to 70% percent of home mortgage loans contain errors?
- Accounting errors in home mortgage loans can range from a few hundred dollars to tens of thousands of dollars?
- These so-called "errors" are in many circumstances complex and fraudulent accounting schemes that banks and mortgage companies use to "play with your money" to generate additional cash flow, income and profits?
- Most banks and mortgage companies know that you won't ask how they "calculated" the "payoff" or principal balance figure they quote you?
- A well-known bank once charged a customer over $3000.00 per month for five months [over $15,000] of escrow payments when the annual taxes were only $2,608.28 and monthly P & I payments were only around $790.00?
- A well-known mortgage servicer owned by a major Wall Street investment bank refers to its customers as "smucks" in their policy manuals?
- Some banks and mortgage companies have foreclosed or are foreclosing on homes, notes and deeds of trusts they don't even own or have a right to?
- Well-known banks and mortgage companies in Florida are lying and providing perjured testimony, false affidavits and frivolous pleadings in cases involving mortgage foreclosure to courts in Florida?
- You or your family members and friends may be unknowingly be contributing to these abuses by having investments in your own IRA's, stocks, mutual or pension funds that are holding mortgage backed securities that deal with subprime lending?

White-Collar Mafia Uses 21st Century Loan Sharks To Prey On Helpless Americans!

For the majority of Americans, their home is the largest single asset they will ever own. Home ownership is part of the American Dream. Yet today, many elderly, minority, disabled, disadvantaged and non-English speaking Americans are living the American Nightmare rather than the American Dream.

Their dreams of home ownership and financial security are being stripped away by 21st Century loan sharks backed by a new white collar Mafia. Instead of using guns and knives to intimidate and to rob their victims, the new weapons of choice are phones, computers, computer programs the mail and unscrupulous lawyers. These extortionists, con-artists and predators inflict harsher pain, suffering and injury upon their victims than a local loan shark can.

Instead of breaking bones and knees, this new breed of crooks breaks dreams, lives, livelihoods and families. They illegally take away their victim's homes, ruin their credit, destroy their families and damage their businesses. Often, the scars left by these criminals last years and even a lifetime that takes longer to heal than a broken bone.

AMERICA'S NEW "WHITE-COLLAR MAFIA"

Members of this new "white collar Mafia" are rather hard to distinguish for they don't look like the guys in Goodfellas, the Godfather or any of the urban street gangs you have seen on television. They're not even from Italy, Latin America or the Far East.

These unassuming men and women live in modest to upscale neighborhoods and are attired in Ann Taylor, Brook Brothers or Armani suits. They can even be the new next door neighbor or the person sitting next to you in your church or synagogue.

They earn from $35,000 to over $20 million dollars per year in their new career. They are titled loan collectors and "foreclosure specialists" at a mortgage servicer to the CEO and chairman of a Fortune 500 company or Wall Street investment bank.

They don't deal drugs, supply arms, run numbers, fix horse races or take money for protection. Yet, they have a worldwide distribution network in the hundreds of billions of dollars. Each day they go to work with the goal of devising new complex financial derivative products, accounting methods, models, and schemes that stay one step away from the regulators and one foot ahead of the law.

You may be familiar with the term "using other people's money." It became popular in the late 80s when real estate scam artists sold millions of get rich quick kits showing how to buy and sell real estate with little or no money down.

Now, in an effort to increase personal salaries and bonuses and corporate earnings, profits, returns on investment and stockholder dividends they prey upon the least educated and less fortunate Americans.

They use any one of the dozens of "predatory lending" practices which we are too accustomed to seeing and hearing each day. Predatory Lending is currently the focus of dozens of Federal and State investigations by regulatory and legal agencies. The U.S. Congress and many state legislatures and city councils are considering laws and ordinances to prevent its spread. According to recent reports, over 35 States are cracking down on predatory lending. Predatory lending bills introduced in state legislatures have already fulfilled predictions of becoming the year's hot issue.

Congress has its own national bill. Rep John LaFalce, D-N.Y., the ranking minority member of the House Banking & Financial Services Committee, says "Consumers with flawed credit histories are in some cases being preyed upon by financial institutions that offer more than they deliver. I believe the committee could benefit from a comprehensive hearing devoted to the issue."

Many of the proposed state predatory lending bills lower thresholds found under federal regulations. Minnesota's bill reduces the ability of mortgage lenders to charge points and fees and it virtually eliminates balloon payments.

Brian Israel, president of the Illinois Mortgage Bankers Association, expressed concern that predatory lenders are, in the eyes of legislators, giving all subprime lenders a black eye. "Predatory lending is not synonymous with subprime lending," This has become the primary "mantra" of banks and servicers who are finding it hard to justify an 18% mortgage sold to an 80 year old woman with little or poor credit, but 80% to 100% equity in her home.

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Mr. Israel is right. Not all subprime lending is predatory lending. But, the vast majority is! Using the collective brain trusts, seminars, MBA, USFN and other conferences and chat rooms, subprime and prime lenders, their compliance officers and attorneys communicate their policies, legal opinions, problems and concerns to one another.

Predatory lending is not limited to subprime, small banks or mortgage companies. Some of the largest banks and Wall Street investment firms such as Bear Stearns, Lehman Brothers, CitiGroup, Washington Mutual and Bank One have all been guilty of predatory lending practices.

The MBA and its members attempt to justify subprime lending by promulgating the argument that they are doing minorities, the poor and disadvantaged a great service in providing loans to Americans who wouldn't normally qualify for a mortgage or personal loan.

But in reality, is the age old use of FICO scores and credit ratings the best or fairest method to use in "qualifying and approving" a loan. The industry has created a number of "special servicers" who are mortgage servicers that have become toxic waste dumps for companies looking to "dump" predatory loans and even loans that were knowingly made by fraudulent and deceptive means.

These toxic waste dumps, in cooperation with a network of unscrupulous lawyers who are part of an organizations called the USFN [they hide their real name which is United States Foreclosure Network] have become virtual computerized criminal enterprises that would make the real mob envious. They have learned to pillage and steal by illegal use of the legal system.

The white-collar criminal uses a variety of technological advances, gray shaded legal opinions and outright fraud and perjury to mislead and defraud consumers and courts across America. Their law firms and vendors look for ways to prey upon victims. They manipulate the nonjudicial foreclosure process and a legal system that is in the dark ages when it comes to getting a grip on this water-collar fraudulent crime.

This network of "collection and foreclosure" firms have recently been sued in cases across America and wide-scale fraud; obstruction of justice, perjury and witness tampering by these firms, their lawyers and clients have been identified.

This predatory mortgage abuse has been going on for many years largely undetected and intentionally shielded by the culprits, the lenders, Wall St. firms and their lawyers. Only recently, after a rash of foreclosures and media attention, has this abuse come to the national spotlight!

Yet, despite the recent focus and attention placed on predatory lending, its practices, schemes, forms, leaders, structure and organization and have been difficult to trail, substantiate and define. Government agencies and even Senator Graham, Chairman of the powerful Senate Banking Committee himself says that before we regulate it, we need to better understand and define what predatory lending is first.

This report will define what predatory lending is. It will also illustrate its forms, uses, abuses, schemes as well as a plan to fight it. The facts, definitions, illustrations and information contained herein are designed to be a work in progress for everyone, including regulators, politicians, bankers, subprime lenders, consumer advocates, and legal authorities to contribute to.

Your comments, additions, suggestions, stories and recommendations are warmly welcomed and will not only be evaluated, but included in future editions of this report.

Our collective work, in and out of this report will ultimately stop this new breed of white-collar criminals and their victimization of the elderly, poor and disadvantaged as well as the American Dream itself!

Anyone wishing to contact the author of this report to offer data, recommendations, suggestions, advice, information or any input that will assist in updates of this report, please call or write:

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WHY PREDATORY LENDING EXISTS

A lot has been written about predatory lending lately. We've seen major Congressional action and HUD hearings on mortgage abuses. The State of Florida cracked down on "title" loans on automobiles after first legalizing the abuse. Various states are investigating rent-to-own contracts, payday loans and the tactics of various credit card and finance companies. But, which of these practices actually involve predatory lending? The stark reality is that they all do.

Predatory lending is not limited to one form or another of abuse. It exists on a massive scale in not only subprime mortgage lending, but in A lending as well. Did you ever think that in order to boost profits or earnings a bank, with a 15 day grace period for late payments, would intentionally delay the process of payments received? Anyone watching the major investigative news programs today would certainly know that this is occurring at banks, mortgage and finance companies across America. In many cases, the company's best profits are earned from late fee revenue. Estimates today put various bank fees in the range of $25 billion annually.

For you older Americans [baby-boomers and beyond], do you remember the days [about 25 years ago] when banks paid you or offered promotions to get you to use an ATM machine? ATM machines were far more costly then [remember the costs of calculators and PCs when they first came out] and banks had human beings who gave you your money. In 25 years banks have weaned us off humans; reduced their teller force and employee costs; increased automation, collection and transfer of money; and made billions of profits from the savings. So why do you suppose we pay from a dollar to over $4.00 at some ATMs to access our own money? More fee income you suppose?

That's one good reason. However, let me tell you about another. When was the last time you or someone you knew used a traveler's check for a business or personal vacation? When was the last time you saw one of those famous traveler's checks commercials? It's been awhile hasn't it?

You see, the banks used to make billions of dollars in the traveler's check market that is now lost when you go half way around the world and enter a simple PIN number to get money from your account.

Remember when you saw ads that instructed you to save some traveler's checks in your night stand or desk drawer for a rainy day? Banks didn't make that much money from the 1% transaction fee they charged you. Think of all the millions they had to repay in lost traveler's checks? You see, where banks, mortgage and finance companies really make their money is in the management and investment of the money they obtain or collect.

Why do big corporations delay payments to their smaller vendors? How about insurance companies delaying payment of your claims for an accident or doctor's bill? Do you think its because they don't have the money to pay you? Of course not! It's because each additional day and night they can keep millions or even billions or tens of billions in their account, they'll earn more money using your money. Before it gets out of their account, the more they can manipulate the "cash flow" and investment of that money to generate interest, income and other returns through complex financial schemes, the more money they earn. That's the simple truth. We all know it.

Many of us do the same thing. We pay on the last date or pay at the bank our loan on the last available due date. That way, we earn more money in our bank account or mutual fund.

Think if you had billions to pay in and out? A few delayed days here and a few days there can generate a significant increase in the profits and earnings of your company, needless to say, your stock options and bonuses if you're the CEO or CFO.

So, you may be asking yourself, what does this have to do with predatory lending? Well you see, unless you carefully examine, audit and reconcile not only your account statements, but each underlying document supporting what the account statements say, you may be a victim of predatory lending and not even know it.

You don't have to be poor, elderly, disadvantaged or a minority. They are just preyed on harder and for larger dollars because they don't have the knowledge or resources to fight back as hard. However, middle class and even wealthy Americans are victims. How you ask?

Simply ask yourselves these simple questions. Did you audit, reconcile or carefully examine the payoff figure or amount of closing costs and fees for each home, car or personal loan you ever had when paying off or refinancing a loan? How many people do you think have said yes to that question? I got you on that one, right?

How about this one? Do you match up your credit card and ATM receipts with each and every transaction on your monthly statement to see if its correct? How many Americans do you think even balance their checkbook monthly? Do you?

Do you really, even if you're a lawyer, understand what all the small type on the back page of that promissory or loan note you signed really means? How about that really small newsprint booklet, that you need a magnifying glass to read, that came with your last credit card statement? Did you know your interest rate went up from 18% to 28% when that new bank took over? Even lawyers, judges, juries, different banks and mortgage companies can't agree on what each term and clause means.

Have you ever had a charge on your phone, credit card or store charge bill ever be wrong? How many times have you seen a charge that shouldn't be there appear than one they missed? How about your local grocery or department store? Have their scanners ever made a mistake in what they charged you? How often do you think the mistakes are in your favor and they charge you less?

Ever had an auto or medical insurance claim denied? Did you fight over that $20.00 or $30.00 charge? Was it worth the time and aggravation? Or did you only fight and call them over that $200 or $2000 claim they didn't want to pay? How about that $25.00 returned check fee your bank charged you for supposedly "bouncing" a check on your account because you had funds that were on hold for five days? Didn't you make that payment from your mutual fund into your checking account

Why, according to your mutual fund statement, did that $2000.00 transaction come out of your account on the first day of the month and your bank bounces your check on the fourth day? In this day and age of Federal Express, ATMs, electronic transfers and deposits does it really take four days to get from one block in New York City to another block less than a mile away?

By now you are probably [I'm hopeful] getting my point! But, what are you doing about it? Are you changing your habits? If you're a regulator or investigator getting an unusual amount of complaints about a mortgage company or a credit card scam, how closely have you looked? Do you even know what you're really looking for or are supposed to look for in the first place? Do year-end and beginning-year balances in subsequent loan history statements match?

How about life-to-date and year-to-date interest? Do they match up in the first year of the loan? How about the second, third, fourth or even fifth year of the loan? Do they match? Should they match? Of course not, so how come the fifth year's life-to-date info exactly matches that year's year-to-date balance reconciliation? Don't know, well then ask and dig and dig until you get a real answer, not an excuse or lie.

And, all you lawyers out there defending clients from what they or you think to be wrongful foreclosures? Do you have the right documents? Are the documents the other side produced real? Does the bank or mortgage servicer you're suing or that's foreclosing on your client's home even own the note they're foreclosing or collecting on?

If you think I'm being silly and dramatic, think again! Each of these are just a few, of the "thousands" of abuses and many dozens of predatory lending schemes and frauds, I have seen in ten years and over 8000 hours of investigating fraudulent and financial crimes.

WHY PREDATORY LENDING EXISTS

We now know that what these crimes involve are predatory lending schemes and scams. In reality, these scams have been around much longer than the term predatory lending.

Banks, mortgage and finance companies not only make it hard to find, but expensive in terms of man-hours and money to unravel. They know it's really not worth it for your client or you to spend $500,000.00 for accountants and experts to find out how the mortgage company was $18,000 off on a demand letter or payoff on a $104,000.00 note with a monthly payment of roughly $800.00? How many years would it take for them to accumulate an $18,000.00 arrearage when payments were only $800.00 a month?

The fact is predatory lending takes on many forms and shapes. It's practiced from the smallest of pawn shops to the largest of banks. It does prey, but don't fool yourself into thinking only elderly, poor, disadvantaged and minorities are affected. They are only carefully selected and demographically targeted. It's the old marketing and business 101 80/20 rule. For those of you unfamiliar with the 80/20 rule, it says that 80% of your income will come from 20% of your customers.

Each of us is a target and each us of us will grow old – hopefully! As such, we are all prey eventually! However, our fathers, mothers, sister, brothers, grandparents and friends are prey too, but today. Higher educated and salaried Americans are victims too, it doesn't matter. Your money is as good and green as an elderly persons or non-English speaking alien or American, just harder to get. It's just easier for more educated and wealthier Americans to catch, if and when they catch it and have the time, inclination, personality and aptitude to do something about it.

Banks, mortgage and finance companies aren't dumb. They conduct consumer research studies and focus groups then develop models and schematics that deal with various cost and expense/benefit analyses. Many of their findings are then put into procedures that cultivate predatory lending practices.

Here are just a handful of examples of measurements that banks, mortgage servicers and finance companies utilize:

- Amount of cost per customer complaint;
- # of service reps per customers;
- Time allocated to complaints per hour per service rep;
- # of customer who will follow-up on their complaint;
- # of customers who will write not call about their complaint;
- Amount of time on hold per complainant;
- Cost of litigation vs. settlement of desired claim;
- Cost of injury vs. cost to fix;
- Cost of compliance vs. expense and liability of noncompliance;

How many Fords and Firestones do we need to have before action is taken? Do ten, 100 or a 1000 people have to die or get hurt in order for the company to own up to its mistakes? George Bush and many Republicans say that individuals should be held accountable. I think most of us agree with this statement. While I may come from the Bill Marhar school of political incorrectness and independence, I do think that corporations need to be held accountable as well.

So how do we hold banks, mortgage and finance companies accountable for their misdeeds if we limit statutory and punitive damage awards to plaintiffs or limit the right of borrowers to sue? Is the public interest best served by such practices?

A company is only a company and just a shell and collection of paper. Lawmakers and the public often forget this. You can't put a factory, car, product or safe in jail for violating the law. Yet, if you or I go into any bank and even make a joke about stealing money, or any one of us actually robs a bank or goes to a store and steals a CD or banana and we get caught, do we not at least spend a day or few hours in jail and get fingerprinted?

WHY PREDATORY LENDING EXISTS

But what do we do to banks and mortgage companies when they steal millions, tens of millions, hundreds of millions or even billions from us? How many bankers, CEOs, CFOs, computer programmers and executives who carried out some of this nation's biggest banking, S&L and financial crimes ever spent a day in jail?

Shouldn't the person who authorized or who knowingly carried out a bank fraud against customers or schemed to steal an elderly woman's home or signed a false affidavit or provided false and perjured testimony in a court room or to regulators serve any time in jail?

So, when we look at combating predatory lending, its not enough to fight a bank, mortgage or finance company alone. Fines, like commissions and legal fees, are only a "cost of doing business" for these companies. It's already been allocated and reserved. We must be active in exposing "individual decision makers" as well as the companies themselves. They are the ones devising, approving and carrying out the schemes. Until you affect the corporation's bottom-line, way of doing business and each decision-maker's personal life, predatory lending will continue to flourish and multiply.

DEFINING PREDATORY LENDING

Many law makers, regulators, attorneys, advocates and media representatives have offered their own interpretations of what predatory lending is, should be or has been. Others, like Senator Graham have asked for a clearer "definition" of predatory lending before new laws and regulations are considered or enacted.

The examination of current reports, articles and testimony regarding predatory lending only confuses and confounds the public, pundits, regulators, lawyers and experts. In reality, the problem of predatory lending is much wider, larger, more sophisticated and criminal than many have suspected in their wildest imagination.

It is difficult to provide one statement or definition of what predatory lending is. We can't use the old definition about pornography and the first amendment that we'll know it when we see it for rarely is its real image seen. Behind closed doors and walls of secrecy, criminal minds arm themselves with high priced lawyers in one hand and sophisticated computers, statistical programs and models in the other. Together, they devise schemes, plans and methods that are not only invisible to the public or naked eye, but nearly impossible for their victims, accountants, lawyers and regulators to uncover.

It can take years, thousands of man-hours and millions of dollars to detect even one of the many hundred abuses or schemes programmed into their computers and carried out in their policies, practices and procedures. Unless one of the secret guards provides evidence of the crimes, the abuse only becomes publicly visible after tens if not hundreds of thousands have already been victimized. By this time, the criminals have already escaped and profited.

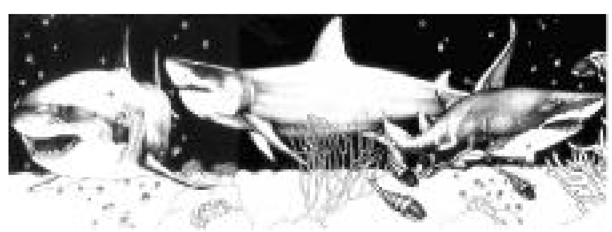
Thus, a simple definition of predatory lending is required with a more detailed focus placed upon defining and illustrating each of the various forms and types of predatory lending abuses. To create a simplified definition, we should first examine our trusty Webster's Dictionary and look at the definitions of the term "predatory" and all words related to predatory and lending.

Courtesy of Webster's here are some definitions:

Main Entry: **pred·a·to·ry**
Pronunciation: 'pre-d&-"tOr-E, -"tor-
Function: *adjective*
Date: 1589
1 a : of, relating to, or practicing plunder, pillage, or rapine **b :** inclined or intended to injure or exploit others for personal gain or profit <*predatory* pricing practices>
2 : living by predation **: PREDACEOUS**; *also* **:** adapted to predation

Main Entry: **pred·a·tor**
Pronunciation: 'pre-d&-t&r, -"tor
Function: *noun*
Date: 1912
1 : one that preys, destroys, or devours

Main Entry: **pre·da·ceous**
Variant(s): *or* **pre·da·cious** /pri-'dA-sh&s/
Function: *adjective*
Etymology: Latin *praedari* to prey upon (from *praeda* prey) + English *-aceous* or *-acious* (as in *rapacious*) — more at PREY
Date: 1713
1 : living by preying on other animals **: PREDATORY**
2 *usually predacious* **:** tending to devour or despoil **: RAPACIOUS**
- **pre·da·ceous·ness** *noun*
pre·dac·i·ty /-'da-s&-tE/ *noun*



"LENDING DEFINITIONS"

We just read a few definitions of the word "predatory." Let's now examine the term "lending."

Main Entry: **lend**
Pronunciation: 'lend
Function: *verb*
Inflected Form(s): **lent** /'lent/; **lend·ing**
Etymology: Middle English *lenen, lenden,* from Old English *l[AE]nan,* from *l[AE]n* loan — more at LOAN
Date: before 12th century
transitive senses
1 a : to give for temporary use on condition that the same or its equivalent be returned **b :** to let out (money) for temporary use on condition of repayment with interest
intransitive senses **:** to make a loan
usage see LOAN
- **lend·able** /'len-d&-b&l/ *adjective* **lend·er** *noun*

Main Entry: **loan**
Pronunciation: 'lOn
Function: *noun*
Etymology: Middle English *lon,* from Old Norse *lAn;* akin to Old English *l[AE]n* loan, *lEon* to lend, Latin *linquere* to leave, Greek *leipein*
Date: 12th century
1 a : money lent at interest **b :** something lent usually for the borrower's temporary use

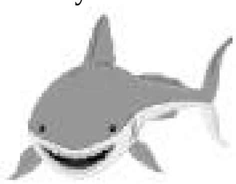
Our first simple definition of predatory lending could be "any loan of money that is designed or intended to injure or exploit others for financial gain or profit." We could then let juries and judges use that I'll know it when I see it definition with such a broad definition. However, lawmakers, lawyers, judges and regulators, let alone the lenders, would never stand for such a definition. So, let's all assume that each of us accepts that "loan sharking" is illegal and would constitute a form of predatory lending in its most obvious form.

Webster's definition of loan shark, loan sharking and shark include:

Main Entry: **loan shark**
Function: *noun*
Date: 1905
: one who lends money to individuals at exorbitant rates of interest

Main Entry: **loan-shark·ing**
Pronunciation: -"shär-ki[ng]
Function: *noun*
Date: 1914
: the practice of lending money at exorbitant rates of interest

Main Entry: **2shark**
Function: *noun*
Etymology: probably modification of German *Schurke* scoundrel
Date: 1599
1 : a rapacious crafty person who preys upon others through usury, extortion, or trickery



Main Entry: **3shark**
Date: 1602
transitive senses
1 *archaic* **:** to gather hastily
2 *archaic* **:** to obtain by some irregular means
intransitive senses
1 *archaic* **:** to practice fraud or trickery
2 *archaic* **:** SNEAK

REFINING THE DEFINITION OF PREDATORY LENDING

Our simple definition can be expanded to say that predatory lending is “any loan of money that is designed or intended to injure or exploit others for financial gain or profit that preys upon others through fraud, usury, extortion, or trickery or lends money to individuals at exorbitant rates of interest.”

We now have a working model for a definition, but is it enough? Let’s all agree and assume that all “criminal” acts including, but not limited to, theft, theft by deception, bribery, perjury, extortion etc. should be included. Since we already have existing laws to provide us definitions of various crimes, we don’t need to complicate the definition by including every criminal act known to man.

So now, let’s expand our definition of predatory lending as:

“any loan of money that is designed, intended or does injure or exploit others for financial gain or profit that preys upon others through fraud, usury, extortion, trickery or criminal act or lends money to individuals at exorbitant rates of interest.”

We’ve come a long way now toward defining predatory lending. However, I think we can still go farther. Many in government and in the banking community say that we have enough laws and regulations “on the books.” All we need to do is make sure that they are enforced. These laws include, but are not limited to RESPA, HOEPA, Federal Truth In Lending, Fair Credit Act, Fair Housing Act, Fair Debt Collection Act and various State Unfair & Deceptive Trade Practices Acts.

We should and must include violations of these “known and acceptable” acts by expanding predatory lending to mean:

“any loan of money that is designed, intended or does injure or exploit others for financial gain or profit that preys upon others through fraud, usury, extortion, trickery or criminal act; or violates one or more provisions of any state law, regulation or act including, but not limited to violations of RESPA, HOEPA, Federal Truth In Lending, Fair Credit Act, Fair Housing Act, Fair Debt Collection Act and various State Unfair & Deceptive Trade Practices Acts; or lends money to individuals at exorbitant rates of interest.”

DEFINING "FRAUD"

Now we have a pretty simple and basic definition for predatory lending. However, I'm not completely satisfied yet. I think we can do better. I'd like to provide a few touch ups and polishing of this definition that can provide a basis for future discussion and easier interpretation. Since the art of predatory lending is so precise, deceitful, complex and confusing, more attention needs to be focused on fraud.

I think all of us can agree that fraud is totally unacceptable and needs to be addressed to combat predatory lending. Yet, fraud can not only be difficult to detect, but to define as well. So, let us go back to Webster's Dictionary and now let us include Findlaw's Legal Dictionary to interpret various forms of fraud.

Webster's defines fraud as:

Main Entry: **fraud**
Pronunciation: 'frod
Function: *noun*
Etymology: Middle English *fraude*, from Middle French, from Latin *fraud-*, *fraus*
Date: 14th century
1 a : DECEIT, TRICKERY; *specifically* **:** intentional perversion of truth in order to induce another to part with something of value or to surrender a legal right **b :** an act of deceiving or misrepresenting **:** TRICK
2 a : a person who is not what he or she pretends to be **:** IMPOSTOR; *also* **:** one who defrauds **:** CHEAT **b :** one that is not what it seems or is represented to be
synonym see DECEPTION, IMPOSTURE

Webster's further explains fraud using other words. Lets examine each.

Main Entry: **de·ceit**
Pronunciation: di-'sEt
Function: *noun* Etymology: Middle English *deceite*, from Middle French, from Latin *decepta*, feminine of *deceptus*, past participle of *decipere*
Date: 14th century
1 : the act or practice of deceiving **:** DECEPTION
2 : an attempt or device to deceive **:** TRICK
3 : the quality of being deceitful **:** DECEITFULNESS

Main Entry: **du·plic·i·ty**
Pronunciation: du-'pli-s&-tE also dyu-
Function: noun
Inflected Form(s): plural -ties
Etymology: Middle English duplicite, from Middle French, from Late Latin duplicitat-, duplicitas, from Latin duplex
Date: 15th century
1 : contradictory doubleness of thought, speech, or action; especially : the belying of one's true intentions by deceptive words or action
2 : the quality or state of being double or twofold
3 : the technically incorrect use of two or more distinct items (as claims, charges, or defenses) in a single legal action

FURTHER DEFINING "FRAUD"

More definitions of "fraud" in Webster's includes:

Main Entry: **sub·ter·fuge**
Pronunciation: 's&b-t&r-"fyüj
Function: *noun*
Etymology: Late Latin *subterfugium,* from Latin *subterfugere* to escape, evade, from *subter-* secretly (from *subter* underneath; akin to Latin *sub* under) + *fugere* to flee — more at UP, FUGITIVE
Date: 1573
1 : deception by artifice or stratagem in order to conceal, escape, or evade
2 : a deceptive device or stratagem
synonym see DECEPTION

Main Entry: **de·ceit·ful**
Pronunciation: -f&l
Function: *adjective*
Date: 15th century
: having a tendency or disposition to deceive: **a :** not honest <a *deceitful* child> **b :** DECEPTIVE, MISLEADING
synonym see DISHONEST
- **de·ceit·ful·ly** /-f&-lE/ *adverb*
de·ceit·ful·ness *noun*

Main Entry: **trick·ery**
Pronunciation: 'tri-k(&-)rE
Function: *noun*
Date: 1800
: the practice of crafty underhanded ingenuity to deceive or cheat
synonym see DECEPTION

Main Entry: **mis·state**
Pronunciation: "mis-'stAt
Function: *transitive verb*
Date: 1650
: to state incorrectly **:** give a false account of
mis·state·ment /-m&nt/ *noun*

Main Entry: **mis·lead**
Pronunciation: "mis-'lEd
Function: *verb*
Inflected Form(s): **mis·led** /-'led/; **-lead·ing**
Date: before 12th century
transitive senses **:** to lead in a wrong direction or into a mistaken action or belief often by deliberate deceit
intransitive senses **:** to lead astray
synonym see DECEIVE
- **mis·lead·er** *noun*
mis·lead·ing·ly /-'lE-di[ng]-lE/ *adverb*

LEGAL TYPES & DEFINITIONS OF "FRAUD"

In determing various forms and types of fraud and predatory lending abuses, let us add FindLaw's definitions of the term and some of its legal forms as well as other important legal terms we can all agree with. These definitions and forms include:

Latin *fraud- fraus*

1 a: any act, expression, omission, or concealment calculated to deceive another to his or her disadvantage *specif* **:** a misrepresentation or concealment with reference to some fact material to a transaction that is made with knowledge of its falsity or in reckless disregard of its truth or falsity and with the intent to deceive another and that is reasonably relied on by the other who is injured thereby
b: the affirmative defense of having acted in response to a fraud

2: the crime or tort of committing fraud
Example: convicted of securities **fraud**
(see also misrepresentation)
Note: A tort action based on fraud is also referred to as an action of deceit.

actual fraud
: fraud committed with the actual intent to deceive and thereby injure another
(*called also fraud in fact*)
(compare constructive fraud in this entry)

collateral fraud
: "extrinsic fraud" in this entry

constructive fraud
: conduct that is considered fraud under the law despite the absence of an intent to deceive because it has the same consequences as an actual fraud would have and it is against public interests (as because of the violation of a public or private trust or confidence, the breach of a fiduciary duty, or the use of undue influence)
(*called also legal fraud*)
(compare actual fraud in this entry)

equitable fraud
: "constructive fraud" in this entry (used esp. in New Jersey)

extrinsic fraud
: fraud (as that involved in making a false offer of compromise) that induces one not to present a case in court or deprives one of the opportunity to be heard *also*
: fraud that is not involved in the actual issues presented to a court and that prevents a full and fair hearing
(*called also collateral fraud*)
(compare intrinsic fraud in this entry)

fraud in fact
: "actual fraud" in this entry

fraud in law
: fraud that is presumed to have occurred in light of the circumstances irrespective of intent to deceive

fraud in the factum
: fraud in which the deception causes the other party to misunderstand the nature of the transaction in which he or she is engaging esp. with regard to the contents of an instrument (as a contract or promissory note)
(*called also fraud in the execution*)
(compare fraud in the inducement in this entry)

fraud in the inducement
: fraud in which the deception leads the other party to engage in a transaction the nature of which he or she understands
(compare fraud in the factum in this entry)

fraud on the court
: fraud involving conduct that undermines the integrity of the judicial process (as by improperly influencing a judge, jury, or other court personnel)

also
: "extrinsic fraud" in this entry

intrinsic fraud
: fraud (as by the use of false or forged documents, false claims, or perjured testimony) that deceives the trier of fact and results in a judgment in favor of the party perpetrating the fraud
(compare extrinsic fraud in this entry)

legal fraud

1 : "constructive fraud" in this entry
2 : "actual fraud" in this entry (used esp. in New Jersey)

mail fraud
: fraud committed by use of the postal service esp. as described in title 18 section 1341 of the U.S. Code

wire fraud
: fraud committed by using a means of electronic communication (as a telephone)
(see also *Wire Fraud Act* in the Important Laws section)

There are additional legal terms and definitions that refer to fraudulent actions and practices, these include:

deceptive
[di-'sep-tiv]

: tending or having capacity to deceive
Example: **deceptive** trade practices
(compare fraudulent misleading)

fraudulent
: characterized by, based on, or done by fraud
(compare deceptive false misleading)

false

1: not genuine, authentic, or legitimate
(compare counterfeit)
2 a: not true or correct
esp
: intentionally or knowingly untrue or incorrect
Example: injured by **false** accusations
b: intended to mislead or deceive **:** "deceptive" "misleading"
(compare fraudulent)

misleading
: possessing the capacity or tendency to create a mistaken understanding or impression
(compare deceptive fraudulent)

deceive
deceived
deceiving
: to cause to accept as true or valid what is false or invalid**:** to practice deceit
(compare defraud mislead)

defraud
[di-'frôd]

: to deprive of something by fraud

mislead
[mis-'led]
-led [-'led]
-leading
: to lead into a mistaken action or belief**:** to cause to have a false impression**:** to create a false impression
(compare deceive)

conspiracy
[ken-'spir-*e*-se]
pl: -*cies*
Latin *conspiratio*, from *conspirare* to conspire see conspire
1: an agreement between two or more people to commit an act prohibited by law or to commit a lawful act by means prohibited by law
also
: the crime or tort of participating in a conspiracy (compare substantive crime)
Note: Some states require an overt act in addition to the agreement to constitute conspiracy.
2: a group of conspirators

chain conspiracy
: a conspiracy in which the conspirators act separately and successively (as in distributing narcotics)

civil conspiracy
: a conspiracy that is not prosecuted as a crime but that forms the grounds for a lawsuit

criminal conspiracy
: a conspiracy prosecuted as a crime

theft
Old English *thiefth*

: "larceny"
broadly
: a criminal taking of the property or services of another without consent
Note: Theft commonly encompasses by statute a variety of forms of stealing formerly treated as distinct crimes.

grand theft
: theft of property or services whose value exceeds a specified amount or of a specified kind of property (as an automobile)
Note: Grand theft is a felony.

petty theft
: theft of property or services whose value is below a specified amount
(*called also petit theft*)
Note: Petty theft is a misdemeanor but may be aggravated by prior convictions.

white-collar crime
['hwit-'kä-ler-]

: crime that is committed by salaried professional workers or persons in business and that usu. involves a form of financial theft or fraud (as in securities dealing)

FINAL DEFINITION OF PREDATORY LENDING

It's my opinion [and hopefully yours] that many of the additional terms listed above need inclusion. Terms such as white-collar crime; intrinsic and extrinsic fraud; conspiracy, deception, false, wire and mail fraud, if used in the collection, servicing or foreclosure of a loan of money, would all constitute a "predatory" action! So our final "working" definition [until further notice] would be expanded to include:

"Predatory Lending" is any loan, servicing or collection of money that is designed, intended or does injure or exploit borrowers for personal or financial gain or profit that:

(a) preys upon borrowers and the public through any act, action, practice, or policy of fraud, usury, extortion, deceit, or trickery; or

(b) violates one or more provisions of any criminal act; or

(c) violates one or more provisions of any Federal or state law, regulation or act including, but not limited to violations of USC Title 12, RESPA, HOEPA, Federal Truth In Lending, Fair Credit Act, Fair Housing Act, Fair Debt Collection Act and various State Unfair & Deceptive Trade Practices Acts; or

(d) involves any act, action or practice of fraud, subterfuge, duplicity, deceit or trickery in the securitization, origination, lending, servicing or collection of any loan of money including, but not limited to, legal actions, disclosures and foreclosure; or

(e) provides a misstatement or misrepresentation of a borrower's terms, account, payoff, obligation or payment; or

(f) lends money to individuals at exorbitant or usurious rates of interest.

I believe that this is a good working model [what do you think, let me know] of a definition for predatory lending. As such, its time to move on to expose and highlight the various forms of predatory lending we have identified and others recently discovered.

PRIMARY "FORMS" OF PREDATORY LENDING

While the primary goal of this report is to report on predatory lending mortgage abuses, we would be ignorant not to acknowledge and briefly detail other predatory lending practices so that we can identify and define each and distinguish their differences.

We have highlighted three [3] major "areas" of predatory lending that we define as:

(1) Predatory "Finance" Lending
(2) Predatory "Bank" Lending
(3) Predatory "Mortgage" Lending

Each of these areas of predatory lending contain many types and forms of predatory lending practices and far more schemes and scams for each. In explaining each, let us easily define the each of the three major areas of predatory lending listed above as follows:

Predatory "Finance" Lending is the loan of money that falls under one or more of our definitions of predatory lending by pawn brokers, non-regulated finance companies, brokers, private businesses, individuals and public finance companies. It does not include any loan of money that involves a "regulated" bank, thrift or loan of money for real estate, homes or property.

Predatory "Bank" Lending is the loan of money that falls under one or more of our definitions of predatory lending by any "regulated" bank, thrift or loan of money that "is not" for real estate, homes or property.

Predatory "Mortgage" Lending is the loan of money that falls under one or more of our definitions of predatory lending by any entity, agent, broker, individual or company including banks, finance companies, mortgage companies and thrifts that is use to finance the purchase, upkeep, refinance or use of real estate, homes or property.

Predatory "Finance" Lending

Predatory "Finance" Lending involves various schemes each of us may be familiar with through ads on television, billboards, newspapers ads and junk mail sent to our homes. Have you ever seen those ads that promise you an immediate payment of your tax refund? That's called a "refund anticipation loan" and immediate means on a Annual Percentage Return basis a huge pay day of interest to the tax office or cash checking service that offered it to you.

How about need cash fast" Have poor credit? Own a car? These are well known ad appeals for what we call Predatory "Title" Lending. The lender, usually a pawn shop operator or small outfit, lends you a lot less than the blue book value of your car. They take title to your car and charge you a high percentage of interest for a relatively small loan and if you don't pay – watch out!

Predators are waiting to take advantage of their next victim. The five [5] primary areas of what we define as "Predatory Finance Lending" include:

(1) Predatory Payday Lending
(2) Predatory Rent-To-Own Lending
(3) Predatory Title Lending
(4) Predatory Pawn Lending
(5) Predatory Refund Anticipation Loans

Predatory "Bank" Lending

Many believe that predatory lending is relegated to the abuses of mortgage brokers and a select group of pawn shop owners, subprime lenders and smaller bank. However, major banks and financial institutions have subsidiaries and divisions that are involved in predatory lending practices. The two major areas of "Predatory Bank Lending" we have found include:

(1) Predatory Credit Card Lending
(2) Predatory Subprime Lending

PRIMARY “FORMS” OF PREDATORY LENDING

Predatory “Credit Card” Lending

Perhaps you have seen the hundreds of credit card ads on your televisions sets late at night or of pre-approved offers in your mail box. No credit, bad credit, poor credit, gold cards, low initial interest rates are just some of the appeals they use. Credit card selection has become more difficult than the selection of out local and long distance phone companies. Some common Predatory Credit Card Lending schemes include:

(a) Delaying the posting of payments so as to make late fee assessments and charges;
(b) Bait and switch interest rates that change without notice, small-print notice, change of ownership or hitting one or more triggers placed in a new agreement the holder was not aware of;
(c) Various fees for “over the limit” charges when actually such fees are assessed when “authorizations” go over the limit and not the actual charges of the credit card holder;
(d) Delaying credits for known disputes and unauthorized transactions;
(e) Not properly investigating complaints of fraud, abuse or unauthorized transactions;
(f) Re-posting known unauthorized transactions;

Many major banks own mortgage and subprime mortgage subsidiaries and divisions that participate in Predatory Mortgage Lending abuses. We term this practice Predatory Subprime Lending when is created, supported, sanctioned, approved or funded by a regulated or major banking, thrift or financial institution.

LARGEST FORM OF PREDATORY LENDING

Predatory "Mortgage" Lending

Perhaps the largest and most costly area of predatory lending abuse, and the focus of our group, is in the area of predatory mortgage lending. We will use the definition of predatory lending that we defined earlier with only one exception. In predatory mortgage lending, we will define only those loans where a borrower uses a house or property as security of the loan and debt. Typically, this is in the form of a mortgage. A home mortgage loan could be a first mortgage on a loan; a refinance of the property; a home improvement loan; a home equity loan or second mortgage for whatever purpose. If your home or any part of the equity of your home is pledged as security or collateral for the loan, it is a mortgage loan under our definition.

There are four [4] primary stages where predatory mortgage lending can occur. These stages include:

Stage 1 Predatory Mortgage Securitization
Stage 2 Predatory Mortgage Origination
Stage 3 Predatory Mortgage Servicing
Stage 4 Predatory Mortgage Foreclosure

These stages of predatory mortgage lending are discussed in the following pages.

Predatory Mortgage Securitization

Predatory Mortgage Securitization is a major phase of Predatory Mortgage Lending. In most cases, it's the first phase and step of the predatory mortgage lending process. Think of it like the drug traffickers and producers of the Colombian drug cartel. They produce, manufacture and distribute the drug and offer "protection and enforcement."

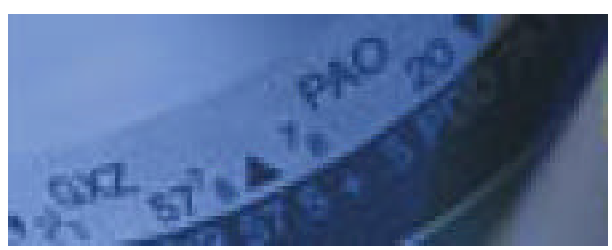
If the drugs weren't manufactured, distributed and protections in place to "guarantee" their distribution to the local and street dealers for sale to drug addicts, we wouldn't have a drug problem in America. Large-scale local operations would be too easily detectable to local authorities.

Think of certain Wall Street investment banks in the same vein as the Colombian Drug Cartel. Local mortgage companies or brokers would be broke [pardon the pun] if not for the supply of ready cash available to these brokers and to unscrupulous home contractors. Without the purchase of notes, deeds and other financial instruments in what's termed subprime and B&C credit markets by the Wall Street firms, the brokers would have no supply of money.

The Wall Street firms sell various "securitizations" of mortgage backed securities and derivative products to institutional investors such as mutual funds, banks, pension funds and corporations. Many leaders and executives of the purchasers of this subprime paper don't even know the effects of what their purchase is doing to millions of Americans.

Their CFOs and brokers charged with that responsibility only examine the return on investment of such security products and not the risks, effects and social consequences of such investments.

While some may be concerned about the various social consequences, the firms should more closely monitor what predatory financiers are selling. The risks may be far larger than stated, analyzed or contemplated.



PREDATORY “MORTGAGE” LENDING - Securitization

Our investigation and analysis of various predatory mortgage securitization practices and have discovered the following:

1. Securitizations that are termed and classified as “whole loan” and “true” sales “without recourse” that are really financing mechanisms with undocumented side deals and agreements for recourse which may not be able to be classified as investments in real estate and may have tax and reporting consequences for purchasers;
2. Stamping, filing and recording loan and mortgage instruments that indicate loan was sold “without recourse” when in fact there were recourse provisions;
3. Failing to record in country records the true and real ownership, assignment and endorsements of promissory notes, deeds and other mortgage documents which were part of sale, assignment or transfer;
4. Hiding and concealing from investors documented high risk item, litigation pending, gray legal opinion letters and other items, court rulings, judgements, sanctions, fines, investigations and other matters or disclosure to investors in filings with the SEC for mortgage securitizations;
5. Hiding or concealing from investors the focus on predatory lending in subprime securitizations and potential regulatory actions;
6. Knowingly accepting via computer tapes the principal balances of loans offered for securitization when the servicers, investment bank or securitizer has knowledge that problems or potential fraud existed in the servicing operation of the bank, servicer, broker originating, selling, assigning or transferring the loan;
7. Knowingly accepting via computer tapes the principal balances of loans offered for securitization when the servicers, investment bank or securitizer has knowledge that problems or potential fraud existed in the servicing operation of the bank, servicer, broker originating, selling, assigning or transferring the loan and the new owners, servicer and assignee securitizing the loan pool does not possess the full and complete loan transaction histories for each borrower;
8. Knowingly accepting loans and not disclosing to investors problems with loan documentation; missing, altered or fraudulent documentation in loan file; chain of titles and ownership; threatened legal actions; current regulatory actions or complaints made about loans assigned;
9. Reporting problems or improper custody, maintenance and control of promissory notes, deeds and other loan documents;
10. Reporting problems in loan servicing, origination or underwriting operations;
11. Overvaluing the loan pool’s principal balances by accepting principal balance and payment amounts from the seller that the new servicer and securitizer know are suspect, fraudulent or misleading;
12. Failing to perform detailed, independent and fail-safe due diligence on individual loans being purchased;
13. Failing to disclose the details of side deals, recourse and indemnification agreements between servicers, sellers and buyers;
14. Manipulating escrow, advance and principal balances prior to the date of securitization to artificially increase the value of a mortgage pool portfolio;
15. Under-reporting historical data on expenses, legal fees, foreclosure costs and other servicing related data that was previously picked up by the servicer’s parent company or another seller in recourse provisions that the current deal does not contain;

Additional Predatory Securitization Mortgage Lending abuses include:

16. Non-reporting of legal problems, frauds, abuses and servicing problems identified at servicer;
17. Manipulating the principal balances of borrowers so not only to earn additional interest from borrowers not owed, but to increase the revenue from servicing fees paid to the servicer from investors;
18. Offering for sale and securitization interests in notes, deeds or other mortgage instruments that the servicer or securitizer does not have a real interest in;
19. Offering for sale and securitization interests in notes, deeds or other mortgage instruments that the servicer or securitizer does not have in their custody or control;
20. Offering for sale and securitization interests in notes, deeds or other mortgage instruments that the servicer or securitizer has offered for sale to someone else;
21. Offering for sale and securitization interests in notes, deeds or other mortgage instruments that the servicer or securitizer is owned by someone other than party identified in the prospectus;
22. Understating historical prepayment or foreclosure rates;
23. Failing to disclose predatory lending practices, illegal, abusive or criminal collection and foreclosure measures that may put portions of the loan pool at risk

Predatory Mortgage Origination

Many predatory mortgage lending abuses come at the very inception of the mortgage loan process. This process is known to most consumers as the loan application and approval stage. However, to the mortgage industry, this stage is known as mortgage origination which is basically the start and creation of the mortgage. During this process, which includes all steps prior to visiting a mortgage broker or applying for a mortgage to your closing day, a series of actions occur.

We and others have discovered a series of actions that we believe constitute what we shall call "predatory mortgage origination" that are utilized by predatory mortgage companies, brokers and banks. Some of these actions begin before a borrower even walks into the office of their local bank or mortgage broker. Below are some of the predatory mortgage origination practices we and others have discovered:

1. Adding Insincere Or Unwilling Co-Signers;
2. Annual Interest Rates In Excess Of 8 Points Over Prime;
3. Asking The Borrower To Sign "Blank" Loan Documents Then Filling Out Borrower's Loan Applications Fraudulent Information;
4. Bogus Broker Fees;
5. Changing The Loan Terms At Or Prior To Closing;
6. Clauses In Mortgages For Negative Amortization;
7. Clauses In Mortgages For Balloon Payments;
8. Failing To Represent To Borrower Their Rights To Rescission;
9. False Representations To Borrowers By Word And In Writing Of Terms And Conditions Of Their Loan;
10. Falsely Identifying Loans As Lines Of Credit Or Open End Mortgages;
11. Falsifying On Loan Applications & Documents;
12. Filling Out Borrower's Loan Applications & Documents With Information Other Than What Borrower Provided;
13. Forging Signatures On Loan Documents And Required Disclosures;
14. Fraudulent Or Inflated Appraisals;
15. High Points [5% And Higher] Or Padding Or Adding Non-Existent Closing Costs;
16. Home Improvement Scams Financed By Predatory Lenders;
17. Intentionally Structuring Loans With Payments The Borrower Can't Afford In Order To One Day Foreclose On Property And Earn More Profit;
18. Kickbacks To Mortgage Brokers For Yield Spread Premiums;
19. Loan Flipping By Numerous Refinancings;
20. Loans In Excess Of 100% LTVs;
21. Making Loans To Mentally, Elderly, Illiterate, Under-educated Or Incapacitated Homeowners;
22. Misrepresenting To The Borrower Their Obligations, Duties And Rights;
23. Mortgages That Contain Restrictive Arbitration Clauses;
24. Padded Recording Fees;
25. Paying Off Lower Debt And Cost Mortgages Then Shifting To Higher Cost Mortgages;
26. Providing False Or Fraudulent Information On Reg Z And Other Disclosures To Borrower;
27. Racial & Demographic Steering
28. Representing That The Bank Or Mortgage Company Will Send Monthly Payment Coupons To Borrower Instead Of Payment Books Then Refusing To Do So;
29. Requiring Credit Insurance On Loans;
30. Requiring Home Owner's Insurance From Loan Company's Agent On Loan;
31. Shifting Unsecured Debt Into Secured-Debt

31. Solicitations & Ads To Targeted Neighborhoods
32. Unbundling By Itemizing Duplicate Services And Charging Separately For Them;

Predatory Mortgage Servicing

Perhaps the one single biggest area of predatory mortgage lending abuse is in the servicing of mortgage loans. Mortgage servicers are supposed to carry out all the necessary steps and operations to keep a mortgage loan in good standing, such as billing and collection of payments and the payment and collection of taxes and insurance from an escrow account. As such, it is the area, after your loan is approved, funded and closed, that is ripe for abuse. Some of the abuses and violations of laws we have discovered in the predatory mortgage servicing include:

1. Billing Borrowers On A Bill & Receipt System;
2. Changing, Redacting, Altering, Replacing, Whiting Out, Misstating, Mislabeling Or Mischaracterizing Transactions In A Borrower's Loan Or Escrow Account History That Are Different Than Other Histories In Time Or The Master Loan History And General Ledger;
3. Changing, Redacting, Altering, Replacing, Whiting Out, Misstating, Mislabeling Or Mischaracterizing Transactions In A Borrower's Loan Or Escrow Account History That Are Different Than Other Histories In Time Or The Master Loan History And General Ledger;
4. Charging Property Inspections, Used As Collection Measures, To A Borrower's Account When The Servicers Has Charged The Borrower A Late Fee;
5. Charging The Borrower's Account With Any Fee Without First Providing Notice And Demand To The Customer For Such Fee So At To Affect Interest Amortization And Allocation;
6. Creating False, Fraudulent Or Dummy Bookkeeping Transactions In A Borrower's Loan Or Escrow Account;
7. Creating False, Fraudulent Or Dummy Credit Or Debit Transactions In A Borrower's Loan Or Escrow Account;
8. Delaying The Posting Of Payments Made By The Borrower Prior To Late Fee Assessment Date So As To Assess And Charge A Late Fee To The Borrower;
9. Demand Of Excessive Prepayment Penalties
10. Demand Of Expenses And Fees Not Obligated For;
11. Failing To Identify Charges Made To A Borrower's Account On Their Statements;
12. Failing To Post Or Report A Customer's Good Credit To Credit Agencies;
13. Failing To Provide Accurate Loan Balance Amounts;
14. Failing To Provide Accurate Loan Payoff Amounts;
15. Failing To Stop Credit Reporting For 60 Days After Receiving A Written Dispute;
16. Force Placing An Insurance Policy On Borrower's Property When Borrower Has Their Own Insurance;
17. Force Placing One Or More Insurance Policies On Borrower's Property When The Servicers Has Already Forced Placed Their Own Insurance;
18. Holding Funds In Suspense And Not Crediting Them To Account So As To Increase Calculations Of Escrow Balances And Payments Around Escrow Analysis And Adjustment Dates;
19. Holding Payments In Suspense/Unapplied Accounts And Not Notifying The Borrower Of Such Actions Or Reflecting The Credit Of The Payment In Any Payment Or Escrow Balances On Loan Statements, Demand Letters Or Notices Sent To The Borrower;
20. Instructing The Borrower Not To Send In Any Payments While Their Complaints Or Disputes Are Investigated And Then Charging Them A Late Fee;
21. Mislabeling Or Concealing Charges Made To A Borrower's Account On Their Statements;
22. Not Reporting Disputed Accounts As Disputed To Credit Reporting Agencies

Additional Predatory Mortgage Servicing Abuses

Additional abuses and violations of laws we have discovered in predatory mortgage servicing include:

23. Ordering BPOs Or Appraisals On A Customer's Property And Then Charging Their Account;
24. Over-Calculating And Then Over-Demanding Escrow Payments;
25. Over-Calculating And Then Over-Demanding Principal And Interest Payments;
26. Placing Debts, Charges, Payments And Fees That Were Previously Discharged By A Federal Bankruptcy Court Back Into The Borrower's Account As A Misc. Escrow Adjustment;
27. Placing Non-Recoverable Corporate Advances Unto A Borrower's Escrow Account;
28. Placing Non-Recurring Items And Expenses Not Previously Owed Or Demanded Into The Borrower's Escrow Account;
29. Providing Fraudulent, Altered Or Incomplete Account Histories To The Borrower;
30. Providing The Borrower With Notices Of Inflated Payoffs Or Demands;
31. Refusing To Accept Payments From The Borrower When Borrower Is Disputing Charges To His Or Her Account;
32. Refusing To Accept The Borrower's Own Hazard Insurance That Meets Lender's Requirements;
33. Refusing To Accept The Borrower's Own Hazard Insurance Without Payment Of A Fee;
34. Refusing To Or Not Manually Recalculating Loan Payments, Amortization Schedules; Principal And Interest Allocations; Late Fee Assessments And Other Accounting Adjustments From The Date In Which Errors, Mistakes Or Problems Were Made To The Date Identified;
35. Refusing To Provide Loan Or Account Histories To The Borrower;
36. Refusing To Send Borrowers Payment Coupons To Their Designated "Mailing" Address, Not The Property Address;
37. Sending Borrowers Payment Coupons After The Due Date Of The Loan;
38. Threatening To Improperly Ruin A Customer's Credit Reputation
39. Use Of Abusive & Threatening Collection Practices;
40. Using "Property Inspections" As Collection Measures;
41. Using The Wrong Date For Interest Calculations On Loans;
42. Using The Wrong Due Date On Payment Notices;
43. Using The Wrong Index For Application Of Interest For ARM Loans;
44. Using The Wrong Late Fee Assessment Date On Payment Notices;

Predatory Mortgage Foreclosure

Predatory Mortgage Foreclosure is the last stop in the predatory mortgage lending process. It is at this stage, that the most dangerous of predators kill their prey. In many states, nonjudicial foreclosures are permitted. All a predator has to do is make a demand of money from you and threaten to take your home if you don't pay up. It doesn't matter if the predator demands more than you owe, even as much as $20,000 or a $1 million more! Pay up or else!

If you don't pay exactly what they demand, the predator will tear their victims apart by a series of legal actions that in reality are illegal. However, most predatory mortgage lending victims can not only not afford to pay what's demanded, but can't afford to pay the lawyers to fight the foreclosure.

Predatory lenders hire predatory law firms and lawyers to do their dirty work for them by filing a barrage of legal maneuvers. Many times, the victim can't afford to fight back. In such cases, the lawyers use a variety of tactics to foreclose as quickly and inexpensively as possible since delays in the foreclosure process eat up the predator's profits. Cutting corners or following the law and legal requirements don't count if nobody's looking or they can get away with it. Some of the predatory mortgage foreclosure practices we have uncovered include:

1. Altering, redacting and whiting out documents, loan histories and evidence;
2. Bribery of court officials;
3. Concealing various expert, lunch, travel, copy, phone and other expenses and legal fees to borrowers and courts;
4. Demanding late fee payments after note has been accelerated;
5. Demanding principal and interest payments after note has been accelerated;
6. Demanding the payment of codefendant's attorney fees for their
7. Destroying and concealing evidence, records, documents and complaints;
8. Extorting payments, fees and expense from borrowers not obligated to by the borrower;
9. Failing to identify or credit any available cash held in suspense, unapplied or escrow accounts;
10. Failing to provide proper break-out of debt, fees, interest, expenses and other items being demanded;
11. Failing to provide proper notifications and notices to borrowers;
12. Filing of fraudulent and false affidavits by predatory lenders claiming that they own the note when in fact they are only the servicer;
13. Filing of fraudulent and false affidavits by predatory lenders claiming that they lost the note when in fact they never had control of the document;
14. Filing of fraudulent and false affidavits by predatory lenders claiming an indebtedness that is not owed;
15. Filing of fraudulent and false affidavits by predatory lenders claiming amounts owed that are nonrecoverable from the borrower;
16. Filing of fraudulent and false affidavits by predatory lenders claiming control and custody of documents that are not in their control and custody;
17. Filing of fraudulent and false affidavits that claim to support knowledge of facts not known by the affiant.
18. Filing of frivolous motions for summary judgement;
19. Including late fee payments, BPOs and other nonrecoverable expenses
20. Paying experts to provide false and fraudulent reports and testimony;
21. Providing false and perjured testimony in depositions and hearings;
22. Providing misleading and deceiving documents, records and loan histories as evidence;

Further Predatory Mortgage Foreclosure Abuses

Additional predatory mortgage foreclosure abuses and illegal activities we have discovered include:

23. Refusing to produce documents ordered to be produced;
24. Securing deeds-in-lieu of foreclosure by trickery, fraud and deception;
25. Supporting motions for summary judgement with fraudulent and false affidavits;
26. Using corporate dummies as corporate reps that are trained to avoid questioning and obstruct justice;
27. Witness tampering;
28. Invasion of privacy by hiring outside investigators to illegally obtain personal, credit, medical and business information on family members of complaining customers and potential witnesses;
29. Criminal trespass and theft of property in homes by investigators and agents of mortgage servicers and their attorneys litigating claims and foreclosures against customers;
30. Hacking into the computers of litigants and citizen groups;
31. Having parent companies or other subsidiaries retain the law firms hired by consumer so as to create a conflict of interest; and
32. Tortuously interfering with the representation of litigants and their counsel.

Predator's Illegal Activity & Noncompliance Actions

Many predators willfully violate and fail to comply with various Federal and State laws, statutes and regulations. In order to save money and earn additional revenue, they have been found to violate the following Federal and State laws as well as RESPA and HUD policies, regulations and procedures, including, but not limited to:

(a) Violation of the 20/60 rule and a failure to correct mortgage discrepancies, errors, and misapplications within 60 days after complaint;
(b) Violation of the 20/60 rule by failing to acknowledge and investigate customer's continual written complaints and demands within 20 days of notice to the lender;
(c) Violation of RESPA's 2 month limitation of escrow cushion by demanding more than lawfully allowed amounts of escrow deposits for taxes; escrow for wrongfully forced place insurance and refusal to credit the previous year's escrow charges in demands for payment when all and/or portions of those payments were included as part of escrow shortage calculations in subsequent year's escrow analyses' and payment demands;
(d) Violation of RESPA's 2 month limitation of escrow cushion by demanding more than a year's worth of escrow for wrongfully forced place insurance that was represented as being credited to the a customer's account but was still be demanded in payment demands over a year after the represented credit;
(e) Violation of RESPA in changing the terms and conditions of a customer's note when assigned or purchased;
(f) Violation of RESPA's guidelines in calculating escrow payments and demands;
(g) Failure to stop negative credit reporting for 60 days upon written disputes;
(h) Abusive collection practices through threats of intimidation, ruin of credit and wrongful foreclosure of homes;
(i) Failure to properly notify customers of escrow activity in their escrow account;
(j) Misleading customers as to escrow activity and payments in their escrow account;
(k) Misstating, Mischaracterizing and misrepresenting the amount of payments due the servicer or bank and the status of customer's debts;
(l) Violation of Truth In Lending Laws, Fair Credit Act & Debt Collection Laws;
(m) Violations of various state and federal Title 12 banking laws and regulations;
(n) Violation of various state collection, consumer protection and deceptive trade practice laws;
(o) Violation of HOEPA;
(p) Violation of State & Federal RICO acts.

Effects Of Predatory Lending On Public & Key Constituencies

As exhibited below, the effects of predatory lenders and financiers affect many direct and indirect constituencies. In light of recent litigation, public and regulatory investigations and the hits and shots that Wall Street firms and banks have taken, predatory lenders and financiers should actively work to cease predatory lending practices.

In light of congressional action and new legislation and regulatory actions, predators should get the message to not only protect the consumer, but their shareholders and investors as well. Recently, Federal and state agencies, regulators, civic organizations and Congress have focused their attention on predatory lending and servicing practices. In light of such focus, a predator's arrogance, ignorance, noncompliance of and abuse of the law is startling! This arrogance is reflected one company's own foreclosure manuals when customers are frequently referred to as "smucks" instead of borrower, Jane or John Doe or Smith.

The effects of a predator's behavior has a wide range effect on many, not just the borrowers being abused. This includes the predator's own shareholders, investors, government and the public. Effects on specific segments of their constituencies are as follows:

Effects On Financial Markets

The effects of Predatory Lenders who are Wall Street Investment Banks on financial markets include:

1. Devaluing of various mortgage derivative products due to increased liabilities caused by predatory lending practices;
2. Failure of major banks and Wall Street firms if value of derivative products falls, interest rates rise and calls are made on credit enhancement guarantees;
3. Reluctance of corporations, mutual funds and other investors to invest in legitimate mortgage backed securities that are not predatory; and
4. Increased government regulation & supervision.

Effects On Customers Of Predatory Lenders

The effects of predatory lending actions on a predator's borrowers include:

1. Illegal stripping of equity of customer's homes;
2. Illegal foreclosure and loss of customer's homes;
3. Emotional and mental abuse and distress inflicted upon customers;
4. Impairment of customer's physical and mental health;
5. Infliction of emotional duress;
6. Retaliation upon those who discover abuses;
7. Economic damages suffered by customers for intentional and wrongful reporting of credit, loss of property and payment of legal expenses;
8. Overpayment of non-obligated fees, expenses, advances, and payments by customers;
9. Increased payoffs of customer's mortgages and notes; and
10. Divorce, family estrangement, death and imprisonment of customers and their family members.

The Actions Of Predatory Lenders Has An Impact And Affect On The Public, Financial Markets, Shareholders & Employees As Well As Borrowers

Effects On Predator's Investors & Trustees

The effects of a predator's predatory lending actions upon institutional investors and trustees related to their various mortgage backed securities include:

1. Increased liability if named in lawsuits by their customers where investors or trustees have been assigned an interest in such customer's mortgage;
2. Payment of advances for fees, legal expenses and liabilities caused by the servicer's direct actions and fraud;
3. An outcry from shareholders and constituents regarding the support and financing of predatory lending practices;
4. A credit downgrading of mortgage backed securities marketed by Wall Street firms and serviced by them due to their predatory lending practices;
5. A credit downgrading of mortgage backed securities marketed by predatory lenders or financiers and serviced by affiliates due their fraudulent accounting methods;
6. Payment of advances for fees, legal expenses and liabilities actually collected by the predator for its own benefit;
7. Increased principal payments and payoffs by customers who don't want to do business with the predator because of its abusive servicing practices;
8. Decreased payments and value of securities if customers exert rights to prevent foreclosure or default based on the "alleged" loss of promissory notes, deeds of trusts and mortgages supposedly held or owned by the predator;
9. Decreased payments and value of securities if customers exert rights to prevent foreclosure or default based on the loss of loan and transaction histories by the predator or previous servicers;
10. Loss of interest in real estate by bankruptcy courts and regulatory rulings of legal opinions or State AGs;
11. Increased and overpayment of "servicing fee" payments by investors, due to a predator's manipulation of customer's principal balances and failure to properly credit customer's accounts in a timely manner;
12. Ruling by courts, SEC or other government agencies that sales of securities were not "true sales" as represented to investors, the SEC and security credit rating agencies;
13. Reduced value of market securities if rating agencies downgrade ratings;
14. Reduced marketability of market securities if rating agencies downgrade ratings or securities impaired by legal or regulatory decisions;

Effects On Predators Stockholders & Company

Predatory lenders, financiers and their shareholders, including shares held by employees, can be affected in various ways including:

1. Reduced stock and option prices due to adverse legal and regulatory decisions;
2. Refusal of various communities like Chicago to do business with the predator or its affiliates due to their predatory practices;
3. Refusal of various corporations to do business with a predator due to their predatory lending practices;
4. Reduced stock and option prices upon news of adverse legal and regulatory investigations;
5. Reduced stock and option prices upon news of court award of damages, fines and sanctions;
6. Increase in legal expenses and fees to corporation due to unnecessary operational risks, assessments and decisions with a reduction to profit thereby reducing shareholder value, returns and dividends;
7. Increased management and executive focus and time addressing legal, noncompliance and regulatory issues;
8. Loss of business from communities, companies and governments not willing to conduct business with supporters of or predatory lenders themselves;
9. Negative press and media reports and harm to the company's image and reputation from the publication and exposure of repeated scandals;
10. A devaluation of any goodwill taken due to a company's involvement in predatory lending;
11. Difficulty recruiting, hiring and retaining qualified employees, managers and executives who do not want to be associated with the company or its culture;
12. Increased exposure to liabilities and government oversight, regulation and sanctions.

Effects On A Predator's Executives, Partners & Employees

A predator's executives, partners or employees can also be directly affected by their predatory lending actions. Such effects can include:

1. Elimination of jobs due to cuts and layoffs resulting from jury awards, fines and sanctions or elimination of divisions due to regulatory or court pressures;
2. Criminal or regulatory prosecution of executives, partners and employees who have knowingly or unwittingly supported, endorsed or participated in any of the fraudulent schemes employed by the predator;
3. Increased public scrutiny by the media, and regulatory agencies and officials of other activities;
4. Public publication and exposure of individuals their home addresses, phone numbers and family members who are directly responsible for predatory actions and decisions in the press, media and internet;
5. Public and private humiliation and embarrassment to those supporting illegal, criminal or unethical practices;
6. Loss in stock, fines or employment and even imprisonment to those supporting illegal, criminal or unethical practices.

Effects On Local, State & Federal Governments

Local, state and federal governments are not immune from the effects of predatory mortgage lending. They are affected in the following ways:

1. Overpayment of false and fraudulent claims by federal government and mortgage insurers such as VA, FHA and HUD to the predators;
2. Overpayment of false and fraudulent claims by GSE's such as Fannie Mae and Freddie Mac to the predators;
3. Increased taxpayer expense in use and abuse of court systems to defend or prosecute predator's illegal actions;
4. Support and taxes exhausted by local, state and federal government for individuals who are forced to seek taxpayer support, living assistance, financial aid and living assistance due to a predator's abuses;
5. Loss of tax revenue and income from taxpayers who are forced to file bankruptcy due to a predator's illegal or overstated demands and foreclosures;
6. Increase in abandoned homes in communities across America due to predatory practices and wrongful foreclosures;
7. Increase in vandalism to homes in communities across America due to predatory practices and wrongful foreclosures;
8. Costs, expenses and manpower taken by government to examine, investigate and prosecute predatory lending operations.

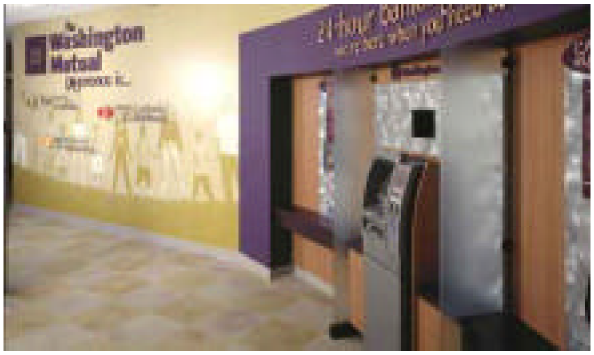
PREDATORY LENDING RISK FACTORS

Risk Factors For Predatory Lending & Mortgage Abuse

Below are a number of "risk factors" we have identified that are common in predatory lending and mortgage abuses cases. One or two isolated risk factors in and of themselves don't necessarily mean you've been a victim. However, the more of these factors that exist, during the history of your loan, increases the risk for predatory mortgage lending abuses.

Examine your loan documents and get a loan history. If you don' do it yourself, have a qualified attorney, legal aid society or local housing counselor review your loan documents and its history. Risk factors include:

1. You have an adjustable "interest" rate mortgage (ARM);
2. Your mortgage or promissory note has a prepayment penalty;
3. You were charged more than 4 points at closing;
4. Your mortgage or promissory note has a "negative amortization" clause;
5. Your mortgage or promissory note has an arbitration clause;
6. You have or had escrow or impound account for property taxes and/or insurance;
7. Your loan has a "balloon" payment feature;
8. Your loan or its servicing rights have been sold, assigned or transferred;
9. You have made principal prepayments to your account;
10. You have paid for private mortgage insurance (PMI);
11. You have or had poor credit when you secured your loan;
12. You missed one or more payments to your bank or mortgage company;
13. Your bank or mortgage company didn't timely credit your payment;
14. You made a payment at a branch office of your bank or mortgage company;
15. You pay your own insurance premiums on a quarterly basis;
16. Your bank or mortgage company ever accelerated your mortgage or foreclosed on your property;
17. You signed "blank" loan applications and documents with your bank or mortgage company;
18. You have gone through bankruptcy during the history of your mortgage loan;
19. You have been threatened by your bank or mortgage company with foreclosure;
20. You have refinanced your home loan more than once in a given year;
21. You have a loan that was secured for you by a building contractor doing work on your home;
22. You were sold credit life insurance at the inception of your loan;
23. You have signed over your deed to a bank or mortgage company;



Warning Signs For Predatory Lending & Mortgage Abuse

Below are a number of "warning signs" we have identified that are common in predatory lending and mortgage abuses cases. One or two isolated occurrences in and of themselves may not necessarily mean you've been a victim. However, these are more than "risk factors" these are actual frauds and abuses. If you notice more than one or two of these, contact an attorney, state attorney general, banking regulator or the FTC with your complaints and send the mortgage company a copy of this report and say you are not ignorant of predatory lending schemes and your rights. Warning signs include:

1. The amounts listed in your regulation Z disclosure statements differ than the amount listed in your mortgage or promissory note;
2. The year-end principal balance on your loan histories or statements don't match the beginning year principal balance of the next year;
3. The year-to-date account balance information on your loan histories or statements exactly match the life-to-date account balances on any year of your loan except the first year;
4. You are on a "bill and receipt" monthly payment coupon system;
5. You don't receive your monthly payment coupon at all;
6. You don't receive your monthly payment coupon on a timely basis;
7. You have been charged a late fee;
8. You receive letters, demands or monthly payment coupons that contradict each other;
9. You see a fee charged to your account that you are not familiar with;
10. You see an amount for "suspense" or "unapplied" transactions on your statement or loan history;
11. You see obvious alterations or typed over figures on any loan records, statements or histories sent to you;
12. Your bank has ordered hazard insurance on your home or property;
13. Your bank notifies you of an "escrow adjustment" to your account;
14. Your bank notifies you of an "misc. adjustment" to your account;
15. Your bank or mortgage company can't account to you for a payment;
16. Your bank or mortgage company can't account to you or provide you with evidence of payments made on your account;
17. Your bank or mortgage company can't answer your questions about your loan balances, escrow account or monthly payments;
18. Your bank or mortgage company can't produce loan documents, promissory notes or deeds of trust when you pay off your loan or are foreclosed upon;
19. Your bank or mortgage company changes the terms or amount of payment before closing;
20. Your bank or mortgage company has charged you attorney fees;
21. Your bank or mortgage company has failed to pay your property taxes or insurance on-time;
22. Your bank or mortgage company makes you a "deed in lieu of foreclosure" offer;
23. Your bank or mortgage company refuses to accept payments you make;
24. Your bank or mortgage company refuses to send monthly payment statements to your home address if the property address is different than your home address;
25. Your bank or mortgage company says you owe an escrow or advance payment for taxes when you have paid your taxes directly;
26. Your bank or mortgage company says you owe an escrow or advance payment for insurance when you have paid your insurance directly;
27. Your monthly escrow payment jumps substantially in one year;
28. Your mortgage account, after closing, has been charged an appraisal, BPO or inspection fee;