

Congress To Investigate Allegations of Continued Robosigning by Big Banks - Not Good News for Florida Economy

By Rosa Schechter

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Tuesday's news of a Reuters expose that **robosigning** (and other forms of faulty and flawed foreclosure procedures) is still happening not only went viral among the financial and real estate industries, it has caught the attention of Congress.

(For details on what robosigning involves, see our earlier post, "Defining RoboSigning: What Exactly Is RoboSigning and Why Is Everyone So Upset About It?")

As we noted on Tuesday, if extensive robosigning and other forms of impropriety are indeed continuing in the Florida real estate arena, much less on a national scale, then this is extremely serious and could have severe, negative ramifications on Florida's attempts to escape and recover from our Great Recession. To have Congress investigating may alone have a negative impact on our financial community; however, that horse has already left the barn.

Today, in BusinessWeek, it is reported that Senator Sherrod Brown (D-OH), chairperson of the Financial Institutions and Consumer Protection Subcommittee, has announced that his subcommittee will hold a hearing to investigate this robo-signing allegation.

The Senate's Financial Institutions and Consumer Protection Subcommittee is one of several subcommittees of the powerful Banking, Housing and Urban Affairs Committee of the United States Senate.

Over in the House of Representatives, Representative Maxine Waters (D-CA) has voiced her concerns to the press and as a senior member of the House Committee on Financial Services, it's to be expected that her committee will also be looking into robosigning and current foreclosure practices in the country today. Representative Waters also looks to be putting pressure on the Executive Branch, telling the media that since the Office of the Comptroller of the Currency, or the OCC, is legally the federal regulator for banks, the OCC has a duty to investigate the situation.

Yesterday, Representative Waters released her letter to the Chairman of the Federal Reserve Board, Ben Bernanke; the Acting Comptroller of the Currency, John Walsh; and the Acting Chairman of the Federal Deposit Insurance Corporation, Martin Gruenberg (review the actual correspondence online here), which is joined by eleven of her colleagues in both the House and Senate, calling for an immediate investigation into the robosigning situation. Here is the text of Representative Waters news release and call to arms:

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"Recent news reports indicate that 'robo-signing' and other improper, and potentially illegal, practices continue unabated despite mortgage servicers pledging to regulators months ago that they would stop," Congresswoman Waters noted. "It's clear that, despite claims that they take these issues seriously, the banking regulators have failed to put an end to these predatory

practices. It is therefore essential that documents submitted by banks to regulators regarding their mortgage servicing practices be made public, so that Congress and the public can hold servicers accountable.

"Enforcement actions were initiated by federal regulators because of the "robo-signing" scandal from last year, which revealed many servicers were wrongfully foreclosing on homeowners and not following existing foreclosure procedures and laws. Robo-signing is when banks falsely swear that they have reviewed property documents that are necessary to foreclose on a homeowner's house. Recently both the Associated Press and Reuters reported that despite regulators' assurances to the contrary, illegal robo-signing allegedly remains rampant in both foreclosure and non-foreclosure cases.

"The request for disclosures is also based upon concern over the fact the consultants performing foreclosure reviews have conflicts of interest since they are chosen by the mortgage servicers they are hired to investigate and have done past or future business with those same mortgage servicers. Members of Congress are requesting public release of Engagement Letters, Action Plans, Foreclosure Reviews, and other plans, policies, or processes submitted by mortgage servicers or third-party servicers to ensure that abuses in foreclosure practices are not being ignored by the review process.

"When the consumer protection performance reviews of banks are being conducted by outside consultants hand-picked by the banks themselves, I must question the regulators' process. We need to shine more light on this issue to hold both the servicers, and their regulators, accountable," Congresswoman Waters said.

"When news reports on robo-signing surfaced in November 2010, Congresswoman Waters immediately wrote to major mortgage servicers and the regulators of servicers asking for a foreclosure moratorium pending a comprehensive examination of servicer practices. Congresswoman Waters also held the first Congressional hearing in the House on robo-signing and wrongful foreclosures in November 2010, and she continues to press banking regulators for more aggressive action on servicing fraud.

The letter is signed by Representatives Frank, Ellison, Grijalva, Watt, Clay, Gutierrez, Miller (NC), Brown, Kaptur, Schakowsky, and Woolsey. The companion letter in the Senate has been signed by Senators Blumenthal, Franken, Akaka, Begich, Sanders, Cantwell, Tester, Rockefeller and Sherrod Brown.