

The White House and the US mortgage racket

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The Obama administration has rejected calls for a moratorium on home foreclosures despite revelations that banks illegally processed mortgage documents to speed up the eviction of families and seizure of their homes.

Nothing could more clearly demonstrate the class interests served by the White House. Major banks have systematically broken the law, victimizing an unknown number of families, and the Obama administration responds by shielding the criminals.

The fraudulent practices that have come to light include bank employees and those of contractors falsely attesting that they had personal knowledge of cases, forging signatures, falsifying notary stamps and altering documents, as well as banks falsely asserting ownership of homes on which they had no legal claim.

Each day brings new revelations. The *New York Times* reported Thursday that outsourced loan workers at Citigroup and GMAC were sometimes so “frazzled” they simply threw paperwork into the garbage, while contract workers for Goldman Sachs processed foreclosure documents so quickly they “barely had time to see what they were signing.”

Every major bank is implicated, and hundreds of thousands, if not millions, of homeowners facing foreclosure have been affected. There are numerous known cases of evictions of families who were not behind on their mortgage payments at all.

The attorneys general in all 50 states have launched a coordinated investigation and several have urged a moratorium on foreclosures, calling the falsified paperwork a “fraud on the courts.” Senate Majority leader Harry Reid of Nevada, facing a tight election race in the state with the highest foreclosure rate in the country, has also called for a moratorium.

Elementary due process dictates that a moratorium be imposed. No one knows at this point how many homes have been illegally foreclosed or repossessed. The bank

records are in disarray. Logic and the law demand that no more families be foreclosed on until a thorough investigation is conducted.

But the Obama administration has once again sided with the banks against the people. Federal regulators have merely urged the banks to voluntarily review their own practices while they “continue with foreclosures as quickly as possible,” according to the *Washington Post*.

In a press conference this week, White House spokesman Robert Gibbs exhibited not the slightest concern for the fate of those harmed by the banks’ fraud. Speaking unabashedly on behalf of the banks, he said, “If there’s an empty house in the neighborhood that somebody has a contract on and their closing date is next week and there is a moratorium, that closing doesn’t happen, right? That sale doesn’t happen. That recovery doesn’t take place.”

The Obama administration’s housing policy, in other words, is to push millions of people out of their homes.

Even if one were to accept the dubious claim made by the bankers and their mouthpieces in the government that a moratorium would destroy the housing market and precipitate another financial panic—a self-serving argument which they do not bother to substantiate—that would only confirm the rapacious and socially destructive character of the existing economic system. The fact that Wall Street all but admits that the profit system is dependent on the spread of homelessness and social misery underscores the necessity for the system’s overthrow.

The falsification of mortgage documents is the latest phase in a vast crime against the population.

Before the financial crisis of 2008, the banks lured millions of Americans into overpriced sub-prime mortgages, often involving low “teaser” interest rates that jumped sharply after a set time. The money-mad pyromaniacs on Wall Street knew full well that the

loans could not be repaid, but like all Ponzi schemers they were intent on milking the racket for as long as possible, confident that, in the end, the government would step in to cover their losses.

The resulting toxic loans were bundled, securitized and sold, creating a massive structure of debt resting on fraudulent and legally dubious foundations—from which bank executives and top shareholders secured dizzying levels of personal wealth.

When the Ponzi scheme collapsed, the federal government bailed out the banks to the tune of trillions of dollars. As a result, the banks are now flush with cash and their executives are shattering pay records in both 2009 and 2010.

But for millions of American families, whose homes were their major source of wealth, the impact has been devastating. The Obama administration's so-called "housing rescue," based on the voluntary participation of the banks, has had virtually zero effect, resulting in the permanent modification of fewer than 5,000 loans by the end of May.

The result is a vast and cascading crisis. In the third quarter, nearly one million US homes, one in every 139, received a foreclosure filing, and over 100,000 homes were repossessed by banks. About 2.5 million homes have been taken by banks since December 2007. How many of these were the result of fraudulent and illegal bank practices is not known.

It is abundantly clear that there can be no solution to the housing crisis outside of a struggle against the finance industry and its servants in both political parties. The Wall Street criminals responsible for the mortgage racket should be investigated and tried, their ill-gotten fortunes seized and the money put toward the creation of affordable housing for working people.

The working class has to break from the Democratic Party. Obama's opposition to a moratorium on foreclosures should clear up any confusion. The Democratic Party is not and never has been a party of the "people" or the "middle class." It is a party, like its Republican counterpart, of the ruling class, pursuing policies antithetical to the needs of the population: good-paying jobs, a secure retirement, education, health care, quality housing.

The Socialist Equality Party is the only party that fights for a break with the Democrats and the building of a mass movement of the working class to throw off

the stranglehold of the financial aristocracy and reorganize the economy to serve social needs, not corporate profit.

In our recently adopted program, the SEP insists that access to decent housing is a social right. The SEP program demands "an immediate halt to all foreclosures and evictions" and the restructuring of all mortgages "to affordable levels, indexed to income and employment status."

"The right to decent housing for all can be assured only by placing the home-building and financing industry under public ownership," the program continues, "and pouring hundreds of billions of dollars in public funds into the construction of new homes and apartments and the renovation of existing buildings."

We urge all readers of the *World Socialist Web Site* to study our program and make the decision to join and build the SEP.

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