

US mortgage crisis: The case for public ownership

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In the face of mounting evidence of systematic fraud by leading US banks in the foreclosure and eviction of millions of families from their homes, the Obama administration continues to oppose a moratorium on foreclosures. It is instead running political interference for the Wall Street firms implicated in the scandal.

At press conferences this week, White House spokesman Robert Gibbs and Housing and Urban Development Secretary Shaun Donovan reiterated the administration's opposition to a moratorium and sought to minimize the scandal.

Without explanation, Gibbs warned of the "danger" a moratorium on foreclosures would "potentially provide, writ large, on the economy," while Donovan absurdly declared that the administration has "not found any evidence at this point of systemic issues in the underlying legal or other documents that have been reviewed."

There is abundant evidence that banks committed a massive fraud on the US court system by telling employees involved in processing foreclosures to falsely attest in legal documents that they were familiar with the cases.

An employee of a major US mortgage servicer contacted the *World Socialist Web Site* to describe how the process worked. "I can testify that with absolute brutal awareness, the banks knowingly engaged in these practices to 'speed up' and 'get done' the process of evicting people from their homes," he wrote. He described the process as an "assembly line whose known and stated goal was to 'throw the bums out of OUR houses'."

A large and growing number of employees of banks and legal firms under contract to the banks have admitted to supplying their signatures to tens of thousands of foreclosure documents per month.

With undisguised callousness and contempt for the families thrown onto the streets, JP Morgan CEO Jamie Dimon stated last week, "We're not evicting people who deserve to stay in their house."

The position of the Obama administration flies in the face of elementary legal principles and the due process rights of homeowners. It is likely that millions of documents are missing, forged, or of otherwise dubious validity. In an unknown number of foreclosure cases the financial entity with a legal claim to the home is simply not known. As a result, banks are foreclosing on properties to which they have no legal title.

"The misbehavior is clear: they lied to the courts," Harvard law professor Katherine M. Porter told the *New York Times*.

The banks' fraud against homeowners is the outcome of the money-mad housing speculation that lasted from 2003 until 2007, in which unscrupulous lenders knowingly lured people into purchasing mortgages they could not afford. The most lucrative racket was the hustling of higher-interest sub-prime mortgages to low-income homebuyers, including those with "teaser rates" that shot up after a fixed period.

The banks then bundled these toxic loans into securities and sold them, spreading the infection throughout the global financial system. In their haste to expand mortgage sales and turn the loans into securities, the banks played fast and loose with documentation and other legal requirements.

The inevitable collapse of the mortgage Ponzi scheme precipitated the financial meltdown of 2008, which in turn triggered the worst international economic crisis since the Great Depression. Tens of millions around the world have been thrown out of work and propelled into poverty and homelessness.

The banks were able to engage in such reckless and

quasi-legal practices because of the deregulation of the finance industry that has proceeded since the early 1980s under both Republican and Democratic administrations. The removal of all legal restraints on Wall Street and elevation of the “free market” to the status of a secular religion were driven not only by the colossal subjective greed of the capitalists, but on a more fundamental objective level by the mounting contradictions of US and global capitalism.

The decline of American capitalism was expressed in the decay of its industrial base and its growing recourse to financial parasitism as the basis of profit-making. The generation of profits was increasingly removed from the creation of real value.

For its personal enrichment, the financial elite turned to the creation of speculative bubbles. Following the collapse of the dotcom bubble in 2001, a new bubble was needed. Hence the speculative housing boom.

The response to the mortgage document scandal being prepared by Wall Street and the White House will shift the burden of the crisis even more directly onto the backs of the working class. The Obama administration all but openly asserts that the “recovery” in housing depends on driving homeowners who cannot afford their mortgage payments out of their houses.

With millions of American households already in the foreclosure process, and tens of millions more “underwater”—owing more to the banks than their homes’ market value—the implications of this pro-Wall Street policy are dire.

Its end result is the devastation of entire neighborhoods and cities, a process that is already far advanced in urban centers such as Detroit, which once boasted the highest rate of home ownership in the country. This week, US Housing and Urban Development Secretary Donovan told the *Detroit News* that the Obama administration endorses Mayor David Bing’s plan to depopulate entire sections of the city. “Look, we’re not going to be able to save every neighborhood,” Donovan said.

The legal and due process issues raised by the mortgage foreclosure scandal, and, more importantly, the underlying social issue—the right to housing—cannot be resolved without overturning the entire framework of private ownership and the subordination of housing to the profit drive of banks and corporations.

The banks and mortgage lenders must be placed under public ownership and the democratic control of the working population. The ill-gotten wealth of bank executives and Wall Street speculators must be expropriated and put toward a multi-billion-dollar program to provide good quality and affordable housing for all. Those who broke the law in order to bilk homeowners and then seize their homes must be prosecuted and held to account for their crimes.

This requires a fight against the Obama administration, which is nothing more than an instrument of the financial elite, and against both parties of big business. The working class must build an independent socialist movement to fight for a workers’ government.

The program of the Socialist Equality Party, *The Breakdown of Capitalism and the Fight for Socialism in the United States*, insists on the social right to decent and affordable housing. We urge all *World Socialist Web Site* readers to study our program and make the decision to join the SEP.

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