The Myth of the Deadbeat Homeowner

Last month I participated in a demonstration under the Santa Barbara courthouse arch to highlight the taking of homeowners' properties at the hands of illegal auctioneers. We were also supporting a simultaneous rally in Sacramento seeking a moratorium on foreclosures in California. During the previous year, assisted by two companions, I had carried on a silent vigil in that same place every Wednesday, holding a banner that read: Another Foreclosure brought to you by The Banksters.

This time, reporters from various print media greeted us. I was interviewed and each time I was asked the same question: **why do you say what the big banks are doing is wrong, when we are told that the property owners have stopped paying their mortgages?** The ultimate answer is that these mortgages have been paid. All the relevant parties, except the landowners, have been made whole. Payment has been made through the sale of mortgage notes, recovery on Credit Default Swaps and government bail out/taxpayer funds. However, to answer this question effectively we need to look into the nature of current money creation as well as the myths devised to keep us from seeing the truth.

I buy a car and start making monthly payments. Then my parents pay off the rest. The car dealer does not come after me for payment. The purchase contract has been met. The obligation has been satisfied. Every mortgage contract I have seen reads: "Upon payment of all sums secured by this Security Instrument, Lender shall request Trustee to reconvey the property…" (covenant 23 of the Deed of Trust). These contracts - written by the banks, not the homeowners - recognize that once the obligation has been met, the contract is complete and the homeowner owns the property clear of the mortgage lien. **How have these mortgages been paid and the mortgagor obligation satisfied?**

Starting in the 1980's, financial laws were altered, not by lawyers and legislators, but by bankers. The legal shenanigans culminated in 1999 with the repeal of the Glass-Steagall Act, a Depression era law that had created a firewall between the commercial (money-lending) banks and the investment banks. With this prohibition lifted, the bankers were enabled to share their expertise and devise money-making schemes unavailable to them previously. Certain big banks (the ones we have come to call the too-big-to-fail banks) developed a plan to monetize mortgage payments, which they then securitized and marketed to investors. Note that these banks marketed only the monthly mortgage payments, not a security interest in property. Yet the price of these investments covered the total cost of the original mortgages. Monies from these investments was one way these banks recouped the alleged cost of the mortgages.

In order to follow their plan to make the big money, the bankers needed mortgages – lots of them – any signed mortgage would do. They paid brokers huge sums to find mortgagors who would sign impossible mortgage documents after being led to believe their homes would continue to increase in value and their money-earning capacity was secure. The banks relaxed underwriting standards. They tied the interest rates of these mortgages to the LIBOR index, which they then manipulated to increase their profits, knowingly causing the rates to become too high for mortgagors to meet. These banks lured institutional investors (such as pension funds) into investing in these mortgage backed securities by promising incredible returns and providing AAA rated securities for purchase. This approach might have been acceptable if all parties had been notified of the banks' intentions, but they weren't. In a fair world, mortgagors whose payments were being used to generate profits for the banks would have been given a part in the deal. Instead they were led to believe it was mortgage business as usual, while investors were misled as to the stability of the mortgage payments which were the return on their investment.

The only parties which knew that mortgage payments would quickly become unstable were these same banks: Chase, Bank of America, Citi, Wells Fargo, Goldman Sachs and a few others; the international banks in this country. They witnessed the simultaneous transfer of funds offshore due to the outsourcing of jobs in the manufacturing and service sectors of the economy. They knew the money bubble they created was going to burst, as more and more people would lose their jobs to overseas workers. **How did these banks create a money bubble?**

The answer lies in the true nature and functioning of the Federal Reserve, a privately owned corporation beholden only to its shareholders (of which Chase is the largest institutional investor). **It has a monopoly on money, on both its issuance and its distribution.** National laws have been passed making it illegal to meet financial obligations in other than federal reserve (central bank) notes. This entity has taken control of the federal government and, through its subsidiaries - the central banks of almost every country on the planet - it masterminds and manipulates the world of money. **How is this money created?** Due to the nature of its financial structure, money comes into being only when people are willing to borrow money from the banks and pay it back with interest. Money is printed according to demand. Once the money has entered into circulation, it then changes into a commodity that can be borrowed and loaned. Borrowing money from a friend is not the same thing as taking a "loan" from a big bank. In the first case the debt-money has been quantified and there exists an obligation to repay it. In the second, we are actually doing the big bank a favor by repaying them something they created out of thin air at no cost to them, and with interest on top of that.

By taking out a mortgage, mortgagors create the money, based on their own promise to repay it. Once that pledge has been made, the big banks literally materialize the money out of nothing and transfer the homeowners' credit back to them. This money does not come from within the banks' actual holdings: the homeowner's promise really creates the money. Every mortgage note begins with the same words: "In return for a loan that I have received". However, this is a lie. The funds are not delivered until at least a week after the mortgagor has signed the note. It takes that long to transfer the signed note from the so-called "lender" to the Federal Reserve and to receive the "funds" back. There is no lender. There is nothing loaned. It is all created out of thin air.

The more mortgages issued, the more money created. Between 2000 and 2008, 2.4 trillion dollars were issued by the big banks, mostly through mortgages. But the money to pay the interest on that money was not created. When the big banks stopped issuing mortgages and "loaning" money, the money to repay the original "loans" dried up. The banks raised the interest rates, people began losing their jobs to overseas workers and suddenly they could not meet their supposed obligation to repay. The bubble burst.

The banks knew this was going to happen - that was their plan. So they created **Derivatives**, a kind of insurance as a protection against failure, except that there are no limits as to what or how many derivatives can be purchased and by whom or covering what. Derivatives are completely unregulated. It has been estimated that the total "value" of derivatives far exceeds the net worth of everything on the planet. These banks claim value in these derivatives and use them to increase the declared value of their assets. They purchased derivatives, called Credit Default Swaps, on the mortgage-backed securities they created, knowing they would fail – they were created to fail! – and have benefited enormously at the expense of the homeowners, renters and investors. The payout on these derivatives more than covered the cost of the original mortgages. There have been cases of payouts on a given mortgage up to 20 times its original value. The banks have no money in the game, yet they recoup vast profit off these mortgages. Then they assert their right to take properties they declare in default. **These banks still seek a free house after receiving that kind of profit!**

The principal issuer of derivatives was AIG. In 2008, as the mortgage-backed securities were failing, there was such a run on AIG to pay up on these derivatives that this company was "bailed out" by the government, as were most of the big international banks. In this way all taxpayers have ended up paying off the mortgages. And from then on these banks have grown enormously in size and power, as the rest of us and the economy have fallen into financial desperation.

What started out as predatory lending has become predatory conquest. These banks have taken over more and more small banks. With their unconscionable sums of money, they have been able to buy Congress, effectively neutralizing any viable opposition other than We the People. They now control the mainstream media and the education curriculum. Education is supposed to be a matter of State control. However, we now have a Federal Secretary of Education and the Federal government uses its financial power to influence curriculum throughout the country. These banks are behind the Federal government. That means they now control how and what we think. Over time, as these banks plotted ways to conquer the country, they focused on creating certain mythologies that they have used to manipulate the citizenry.

One is the **myth of the self-made man**: the rugged individualist who firmly believes he alone created his own success and therefore has no need to help others or even empathize with them. In fact, no one can succeed completely on their own, yet we have been brainwashed into thinking we should. The genius of this myth is it prevents people from moving into community. There are more We the People than there are bankers, but a people divided is easier to control.

A second example of deliberately created myth is the fervent patriotic belief that the Federal government supports the people and would never do anything to betray them.

The government tested this myth in 2001 with the tragedy of the World Trade Center. The failure of public opinion (as reported by the controlled mainstream media) to challenge the **belief in the infallability of the central government**, has emboldened those behind the government to undertake ever increasing criminal activity. This faction operates through Doublespeak. They leave their mark in things like the Patriot Act, Homeland Security, Monsanto, health insurance, conspiracy theory, Federal Reserve.

A similar belief, concerning the **infallibility of the banks** - the myth of the trusted banker and his stalwart support for his community – seems to be losing its hold.

Yet another myth is that of the **deadbeat homeowner**. The media, the government, the courts and the big banks seek to lay the blame for mortgage and economic failure on individual homeowners. **The wall of shame that has been created is almost impenetrable**. People feel isolated, afraid, convinced of their own wrongdoing and that they have an obligation to repay, not realizing the money would never have existed without them. They are ridiculed, made to feel wrong and then are evicted from their homes, when **the act of their living in homes is actually the basis of a stable civil society.**

The law states that a mortgage is a contract. Yet these securitized transactions did not follow the prescribed rules of contract formation. In truth, there is no mortgage contract, no party to the contract who is owed money and any money received by the homeowner is the result of a legal fiction. These mortgages were set up to fail because that is how the bank middlemen satisfied their greed. Why did they do it? Because they could.

I imagine a scenario where eight or so men were playing golf. They had already come up with a plan to siphon off all the money their bank, the privately owned Federal Reserve, had issued. But that wasn't enough. They needed a further challenge. One of them came up with the idea of acquiring all the land of the planet as well. **They decided they wanted to own the Earth**. What we are seeing now is an enormous land grab. They created a scheme where people were encouraged to acquire property, they set the acquisitions up to fail, they created a myth that the homeowners themselves were greedy and deserved to be punished, and they stole the properties. The general public is only now beginning to wake up to the fact that it is the banks and not the homeowners who are immoral.

Over a tenth of the homes in this country have already been taken in this way. The bankers did the same thing to family farms during the Depression and ended up creating agribusiness and Monsanto. Now their plan is to return us to feudalism. They will own all the land and we will be the serfs toiling to serve them. Is this what we want? **Do we choose a world where the big banks own and control everything, or a world where we can all live in harmony and community?** Are we not ultimately in this together? I am my brother's keeper because we are one family. The tragedy of the dispossessed homeowner is an event which affects us all. Instead of casting aspersions and dividing our community, could we begin to come together in unity? Ultimately this is a social justice issue. Let us stop foreclosures now.