LaRouche in 2007: Mortgage Fraud Can Topple System

Oct. 7—The shaking of the entire underpinnings of the U.S. mortgage market, due to massive numbers of fraudulent home foreclosures, compounded by the creation of the mortgage-backed securities (MBS) bubble, was anticipated by Lyndon LaRouche as far back as November of 2007. At that time, Federal Judge Christopher A. Boyko had dismissed 14 home foreclosure cases in Cleveland, Ohio, based on the doubt that the foreclosing bank, Deutsche Bank National Trust Co., actually held title to the houses which it was foreclosing. The judge ruled that there was no proper recording with local government officials, of the property titles, mortgage contracts, and assignment of ownership.

LaRouche commented at the time that this "smells of a major problem." There is legitimate suspicion that loans that have not been recorded in local registries, have been sold as part of a securitized package, over and over again, leading to liabilities that exceed assets by enormous amounts. "These people have been caught with their pants down," LaRouche declared.

LaRouche stressed that, implicitly, the Ohio case involved much more than the judge's interpretation. The question posed is whether banks have been duplicating the use of assets. Any suspicion and doubt about this is enough in itself, to bring the system down.

When you are dealing with a situation like this, LaRouche said, you are dealing with a "breakdown crisis, and not with a management crisis." This cannot be "managed."

Even the smell of such a situation could blow the system out, LaRouche commented at that time. Due to the failure of Congress to enact LaRouche's Homeowners and Bank Protection Act, and to revive Glass-Steagall, that is now precisely what is happening.