

AG targets mortgage flaws Says banks may have broken property laws, put buyers at risk

By Jerry Kronenberg | Tuesday, July 26, 2011 | <http://www.bostonherald.com> | **Real Estate**

Massachusetts Attorney General Martha Coakley slammed a private network used by lenders for loan trading as she launched a far-reaching probe into whether banks violated state property-recording laws during the housing boom — and broke foreclosure rules during the bust that followed.

"From predatory loans to 'robo-signing' to servicing fraud, the banks continue to go merrily on their way while consumers, the real estate industry and the commonwealth of Massachusetts are being cheated," Coakley told the Herald yesterday.

"The inability to get a handle on the instability in the real estate market continues to affect Massachusetts and the entire national economy," she said.

Coakley's probe comes as several county registers of deeds have questioned the validity of paperwork banks have filed on thousands of home sales, refinancings and foreclosures.

The registers claim many lenders used "robo-signers" — employees who OK'd hundreds of documents per day without reading them, often signing papers using fake names or titles.

Banks also often used Mortgage Electronic Registration Systems Inc., or MERS — a private network that lenders created to trade home loans among themselves — instead of documenting mortgage transfers with registers.

Some registers believe such actions violate Massachusetts property-records laws, voiding the documents in question and "clouding" thousands of land titles.

Consumers with clouded titles could find their homes hard to sell or refinance without going to court to clear up problems.

Some registers also claim banks illegally avoided millions of dollars in fees by transferring mortgages via MERS instead of local registries.

MERS spokeswoman Janis Smith dismissed the allegations against her firm as "without merit."

Coakley, who's currently working with other states on an "global" settlement over paperwork flaws, promised to exclude the MERS issue from any deal until she fully investigates the problem's scope.

"Massachusetts will not sign on to any global agreement with the banks if it includes a comprehensive liability release regarding securitization and the MERS conduct," she vowed in a letter yesterday to all 21 county registers of deeds.

Southern Essex County Register John O'Brien, who spearheaded the drive against paperwork flaws, lauded such talk.

"I think this sends a message loud and clear to banks that Massachusetts will hold them accountable," O'Brien said.

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