

AG probing allegations of mortgage misconduct

By JULIE MANGANIS
STAFF WRITER

SALEM — Attorney General Martha Coakley has told registers of deeds around the state that she is investigating potential misconduct by mortgage lenders, responding to complaints about questionable documents and other concerns.

Coakley also told registers, in a letter yesterday, that she will not be a party to any proposed settlement between major lenders and the states that absolves the banks of liability for the misconduct.

"I'm delighted," said South Essex Register of Deeds John O'Brien, who has been pushing for such an investigation since last fall, when he began discovering fraudulent records being filed at the Salem registry. "I thought all along that this day would come."

Last month, he called on Coakley to join her counterpart in New York and refuse to take part in

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any discussion of a settlement until the full scope of the alleged fraud could be determined.

Yesterday, Coakley, in the letter, voiced a similar view.

"We have made clear that 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," Coakley said, referring to Mortgage Electronic Registration Systems, a company set up to process thousands of home mortgages as they were bundled, bought and sold to investors, typically multiple times.

"We strongly believe that these investigations must continue and responsible parties must be held accountable in order to fully protect homeowners and return to a healthy economy," Coakley said in the letter.

Coakley is looking at several areas, including banks' failure to establish the right to start foreclosure proceedings, as well as the filing of false or misleading documents at county registries.

Coakley told registers to expect requests for additional information within a week or so.

MERS was set up as what O'Brien called an "off-the-books land registry," which enabled banks to sell and resell bundles of mortgages to investors, without, O'Brien and others say,

properly recording each transfer of the mortgage. That left homeowners in the dark as to who actually owned the mortgage on their home at any given time.

On top of that, O'Brien and other registers have discovered that thousands of documents that were filed by MERS on behalf of the lenders were "robo-signed" — signed by low-wage employees of a business set up to process documents, rather than by the bank officials that would normally be required to sign the paperwork.

And each of those transactions should have been filed with the Registry of Deeds, O'Brien said, but were not.

MERS has contended that they had the right to foreclose on behalf of mortgage owners, a claim that has met with mixed results around the country.

The company has conceded, however, that documents were being signed by people who had no authority to do so.

Earlier this year, O'Brien began rejecting filings bearing the signatures of known "robo-signers," with names like Linda Green.

In response, he said, banks almost immediately provided new paperwork with the proper signatures. "To me, that's pleading guilty," O'Brien said.

Courts reporter Julie Manganis may be reached at 978-338-2521 or jmanganis@salemnews.com.