

October 6, 2010
Dave's Weekly Insight – Special Edition – Robo-signer Crisis

As I had predicted months ago, more and more major banks are stopping their foreclosure actions because of potential transaction fraud. In these cases, the so-called “Robo-signers” were signing and attesting to assertions that were untrue on the foreclosure documents. This impacts existing foreclosure actions and is rapidly extending to actual REOs that have pending closings from certain banks because title policy issuers are halting writing title insurance, for now only for specific lenders. This stoppage of closings will likely extend to conventionally financed properties that had been REOs that have been rehabbed and where the buyers are looking to use conventional financing for their end-buyer. I mentioned how to avoid this problem using private money sources, but you'll still need title insurance to protect the buyer's equity.

I saw an internal memo from the first of many title insurance companies that are stopping writing policies on GMAC-Ally, Chase, Bank of America and more lenders to follow. Just today it became public that a Robo-signer for Indy Mac has been exposed and more of these Robo-guys are being uncovered even as I write this. I fully expect to see a caravan of attorneys headed to the courthouse to look for any of the Robo-signers' names in their client files and for other homeowners who haven't yet started a foreclosure defense. Even the former homeowners potentially have claims against the lenders who used these Robo-signers.

What does all this mean? If you are considering purchasing an REO, you better think twice if you can't get title insurance from a major title policy insurer. Undoubtedly, some of the smaller title insurers will jump on this and issue title insurance with an “exception” for the seller's not conveying proper title. Then your title policy would not insure your purchase and you would lose EVERYTHING with no recourse if the foreclosure case was re-opened by the former homeowner and he won the lawsuit! Sounds dramatic but it could be a reality if you aren't careful. Essentially, the issue is, are you buying a property that was foreclosed illegally? That is a given in all these cases with the Robo-signers, but can it be corrected? Yes, and it will have to be in time – a long time. So if you buy an REO, make sure you see a title commitment well before the closing and have a “guarantee” that you will get a marketable title. Remember why we have our REO closings shadowed by our attorneys? Hopefully, now you get it.

The ultimate result will be that the lenders will circle the wagons and get the documents refilled and go back at the court system. This initial reworking the documents started weeks ago but the majority of the actions will likely take 6 months to get corrected and back into the legal system. If you are wondering if this is now the time to finally let the banks go belly-up like so many people believe is the just end for these scoundrels, forget it. If that were to happen, the banking system could collapse and all your credit cards, checking and savings accounts would be unavailable to you. Even if you have a stash of cash, where would you buy food and fuel to mention just a few of the things we take for granted. Have gold stashed? Who will take it in exchange for food without

killing you right after? Forget all this nonsense the survivalists spout and keep the faith in the system and VOTE to make yourself heard!

If there is a bright spot it would be that short sales and deeds in lieu of foreclosure are not affected by the blackout of title policies. Makes sense since both of these deed transfers call for the homeowner to sell directly to an end-buyer. If this whole issue stuns you, the other side of this is another great opportunity to be a wholesale investor, just make sure you have guidance to keep you on the path.

So we are focused on just how many properties are affected in each county, here are the statistics from XIMAUSA.com -

The Following Table Shows the Extent of REOs and Pre-foreclosures That Are Not Yet Sold in the Tri-county Area for the SPECIFIC Lenders Listed Below.

Not all these lenders have announced that they are stopping their foreclosure proceedings. This data is designed to illustrate the amount of properties that could be affected in the near future compared to the total number shown at the bottom of the table for each county.

Data courtesy of XIMAUSA.com and is believed to be accurate as taken from the public records of each county.

No guarantee is claimed for the accuracy of the date.

Lender	REOs	Pre-foreclosure
CHASE	Broward - 939	Broward - 2,882
	Miami-Dade - 733	Miami-Dade - 4,018
	Palm Beach - 259	Palm Beach - 1,768
Bank of America	Broward - 340	Broward - 1,860
	Miami-Dade - 149	Miami-Dade - 1,419
	Palm Beach - 87	Palm Beach - 725
Indy Mac	Broward - 272	Broward - 735
	Miami-Dade - 236	Miami-Dade - 877
	Palm Beach - 67	Palm Beach - 625
GMAC- Allied	Broward - 119	Broward - 572
	Miami-Dade - 102	Miami-Dade - 626
	Palm Beach - 46	Palm Beach - 368
NY Bank	Broward - 447	Broward - 1,262
	Miami-Dade - 255	Miami-Dade - 1,469
	Palm Beach - 112	Palm Beach - 592
Wells Fargo	Broward - 681	Broward - 2,693
	Miami-Dade - 419	Miami-Dade - 2,680
	Palm Beach - 255	Palm Beach - 1,509

Deutsch Bank	Broward - 820	Broward - 1,853
	Miami-Dade - 635	Miami-Dade - 1,960
	Palm Beach - 327	Palm Beach - 1,345
TOTAL Properties Affected In the Tri-County Area	Broward - 10,048	Broward - 34,185
	Miami-Dade - 7,754	Miami-Dade - 38,057
	Palm Beach - 3,670	Palm Beach - 22,848

To your limitless success,
 Dave Dinkel

P.S. - I hope you'll be attending BREIA tomorrow night (Wednesday, October 6) as we will be discussing the online foreclosure auction and the impact of the above issue on it. **I will also be showing TEN more completed deals we did very recently- time permitting.**