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Solution Series: Protecting Your Home and Real Estate Assets with Marie McDonnell

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James White: Hi, this is James White once again for the *Solution Series* brought to you by *Solari.com* and CoreysDigs.com. I am joined, as always, by my wonderful and knowledgeable cohost, Corey Lynn. Corey, it's good to be with you.

Corey Lynn: It's great to be here.

White: It is great to be here. Today we are going to cover a topic that is typically known as the biggest investment the average person makes in their life, and that is their home. You've probably seen throughout the years, when you have a large item like a house, there is a lot of equity involved in it. Unfortunately, there is fraud involved as well, and a variety of things surrounding that. Our guest today is a mortgage fraud and forensic analyst. We are delighted to welcome Marie McDonnell to the broadcast.

Let me give her a brief introduction. As I stated, Marie McDonnell is a mortgage fraud and forensic analyst, a certified fraud examiner (CFE), and a Master Analyst in Financial Forensics (MAFF) with over 35 years of experience in transactional analysis, mortgage auditing, and mortgage fraud investigation.

She is the president and chief executive officer of McDonnell Property Analytics, a litigation and research firm having the principal place of business at 15 Cape Lane, Brewster, Massachusetts. The Firm, along with other services, provides mortgage-backed securities research and foreclosure forensics to attorneys nationwide. McDonnell Property Analytics also advises and performs services for county registers of deeds, attorneys general, courts, and other governmental agencies.

For over three and a half decades, Marie and her firm, McDonnell Property Analytics, have earned a nationwide reputation as an independent, reliable, and trusted source of information grounded in fact-based analytics that provides their clients with decision support throughout the entire life cycle of the mortgage transaction.

Marie McDonnell, we are so delighted to have you joining us on the *Solution Series*. Thank you so much for being here.

Marie McDonnell: Thank you, Jim, and thank you, Corey. I am happy to be here. I'm eager to have the opportunity to speak to your audience.

I do hope that the listeners and readers will also give you a little feedback after they've heard or read this session, and let you know what they are most interested in learning more about.

Lynn: Yes, because they are a wealth of knowledge.

McDonnell: I hardly know where to start!

Lynn: We had a great conversation earlier. I said, "Gosh, I would kind of like your job, being a forensic analyst and getting to go through and find where they tricked someone, and having that opportunity to actually beat them. That would be quite rewarding, I would imagine."

Usually, what we do with these episodes is have all solutions because people are already aware of the issues. In this case, we almost need to lay a little groundwork so people understand the key components.

I know you talked with me about three key areas where mortgage fraud tends to happen. There are many different directions we can go. Of course, I have a whole line-up of questions.

Do you think it would be best if we start with the three key areas where this happens so that we can get into how to avoid those through servicing your mortgage, transferring your mortgage, the forbearance, foreclosure, and all these different aspects?

McDonnell: That sounds like a great place to start.

I like to bring people's attention to, 'right off the bat', that when you are buying a home, very few of us actually have enough cash to make that purchase. It's a very big-ticket item. So, we have to leverage our future income and obtain a mortgage loan to help us with the purchase of that property.

For anyone who already owns their home, from time to time, they may want to refinance the loan for a variety of reasons. It could be to take out a little cash, to make some home improvements, or for some other family need, or perhaps interest rates and monthly payments will motivate them to do so – especially in a falling interest rate market.

In any event, there are entire industries that are very well-organized and where the individuals are very well-trained to help consumers to buy real property, buy real estate, and for that, we have real estate agents and brokers and national franchises. So, there are all kinds of training programs to educate real estate agents in terms of how, and within the law to assist people in finding a home and taking them through those steps to complete the purchase.

Then you have, as a complement to the real estate industry, the mortgage banking industry. That consists of a loan officer, a local bank, or a local branch of a national bank, or independent mortgage companies, or mortgage brokers who will connect you to a source of funds. That mortgage broker or loan officer will take the homeowner's loan application, gather all the documentation needed to underwrite and process that loan application (and hopefully approve it), and then sign the paperwork at closing.

For anyone who has been through the process of signing the 1.5" thick stack of mortgage documents, you will know what I mean when I say that it can be very intimidating. So, you have the real estate agent and the mortgage broker helping you to put the deal together, sign all the paperwork, and at that point, it's like they 'love you and leave you'.

So now, what you have ahead of you is very exciting when you move into the property. You get situated and buy new furniture. You decorate it, and make it home. But then you may be looking 15-30 years ahead to pay off that mortgage. There is absolutely no industry that has organized itself or educated individuals such as myself to assist people through the longest phase of this entire real estate process.

White: I would like to ask you a question. Back in the 'old days', before there were banks and before those 1.5" stacks of paper, it was basically, 'For Sale by Owner'. They had a land contract with the owner, and just worked something out.

It seems like the older, simpler way was much better because the new way has nothing but paperwork and stacks of paperwork and all kinds of regulations. It seems like the involvement of the outside agencies is making things more difficult. Do you have any comment on that?

McDonnell: Absolutely, and that is why there are regulations. They have made the entire process so complex, and every little step along the way presents an opportunity to either make a mistake or to steer someone, which is a real thing in the industry called 'steering'. It could be a real estate agent or even a mortgage broker who will steer the consumer either to a neighborhood or away from a neighborhood and into a particular type of mortgage loan that might not actually be suitable and sustainable.

We could, at some point, have a very interesting discussion about legislation that Congress has enacted beginning in 1980, and most especially in 1982. I like to compare it to the gold rush or the land rush when the 'Wild, Wild West' was being settled. It was 'anything goes'. You would hitch up your covered wagon and team of horses, and it's off to stake your claim.

Changes in who could make a mortgage loan and what type of mortgage loan would be offered occurred in 1982 with key legislation. I won't go into it in detail, but it changed the paradigm. During the 1980's, there was a complete paradigm shift in how properties were being bought, sold, and financed.

Those of us who grew up during my generation (baby boomers), and my parents benefitted from all the Federal housing legislation post-World World II that facilitated long-term sustainable home ownership. But all this changed in 1982. At that point, it became very predatory in nature.

Lynn: Now we are at the point where everything is done online. You don't even have to go to closings anymore. You just DocuSign everything, and no one is reading through the 1.5" stack. If you have an attorney with you – and most people do – they are only there to say, "Sign here, sign here, sign here." So now, we are at the point where some things started to change over that 15 to 30 years.

I want to go back to the 15 to 30 years later because I have a question on that. Where do people come to protect themselves, and what types of fraud do you see happening? James and I actually know people where these frauds have happened.

McDonnell: I've been doing this work, which I call, 'toiling in the vineyards' for over 35 years now. I have been through four housing cycles starting with the savings and loan debacle in the 1980's. That manifested, to a large extent, to foreclosures in the late 1980's and early 1990's when I first started studying and working the field.

Let me go back to answer an earlier question of yours, Corey. What are the opportunities for things to either go wrong or absolutely exploited in this whole process? I'm going to focus on mortgage lending and servicing now.

Due to the changes in legislation in 1982 under, what is called the Alternative Mortgage Transaction Parity Act, Congress authorized plenty of very sophisticated mortgage products. You might remember in the early 1980's when interest rates were up at around 20%. As a way of facilitating real estate transactions and mortgage transactions, Congress allowed these creative mortgage products to be structured and offered to the general public without much in the way of disclosure or public education.

At that time, the fixed-rate mortgage loan was the standard from post-World War II to the early 1980's. After that, various adjustable rate mortgage products were offered, balloon mortgage products were offered, and discounted interest rates were offered. So, what is happening in the way a mortgage transaction can be structured is these alternative mortgage transactions allow the bank to adjust interest rates temporarily and, therefore, monthly payments to make the mortgage loan appear to be affordable when, in fact, when it began to adjust up to market rate, it would not be sustainable.

This led to the savings and loan crises. This was very much a part of it, as well as speculation by many people in the banking industry.

For homeowners, it led to a wave of foreclosures at the end of the 1980's and early 1990's that resulted in many Attorney General investigations and regulations of the mortgage industry.

I remember this because I began studying real estate and real estate financing in late 1986. In January of 1987, I began a very aggressive period of self-education where I would take very intensive courses taught by the National Association of Realtors along with a number of other things. I saw that the relationship between real estate agents and mortgage brokers or loan officers was very 'tight'. They knew that one transaction depended on the other.

Using an adjustable rate mortgage, for example, when the market rate was 10% but for a period of time, the interest rate could be discounted or lowered to 7%. The real estate agents and the mortgage brokers could get people focused on that nice, affordable monthly payment on a loan for a certain amount at 7%.

The way those things work, the interest rate would gradually increase over a period of time. By the time it got up to market rate, it would not be affordable. This did lead to a rash of foreclosures starting around 1990 and up to about the mid 1990's.

White: Let me ask you to speculate. You figured out that you knew this; you knew if they were going to do that, there were going to be many foreclosures. Do you think the bankers knew that? Do you think it was done by design? Do they benefit when they foreclose? They obviously get the money that the person has paid into it, and then they get to claim the insurance on the entire amount of the loss, I believe. There are some mechanisms in place. I don't know exactly how it works.

I wonder why they wanted to foreclose. That doesn't seem right. Wouldn't they want their customers to continue to make their payments and stay in their homes? It just doesn't make sense. I know why, but I would like to send this question to you.

McDonnell: That is a very good question, and it deserves a great and detailed answer. From my experience, it will help everyone to understand where we are now and how we got here.

So, yes, I understood that real estate agents and mortgage brokers were putting people into more expensive homes than they could afford. If the interest rates were truly at a market rate, this would become unaffordable and unsustainable as interest rates began to adjust.

So by 1991, I changed my business name to 'The Mortgage Counselor' because I saw there was a knowledge gap there. I saw, not only the potential exploitation, but clear steering. Of course, everyone was being motivated by their commission structure.

Interestingly enough, mortgage brokers could earn a higher commission by putting people into a riskier type of a loan. So it is very counter-intuitive.

The way I introduced 'The Mortgage Counselor' was by holding a free public seminar at a Sheraton Hotel in Cape Cod where I live, in Hyannis. I had standing room only, and I told people about some of the things that I had been discovering. Here I am, just an ingénue in terms of working in the field of real estate and real estate finance.

I never became a mortgage broker; I decided that people needed an independent financial advisor who had no stake in the outcome of their decision.

White: That is commendable for you to take that 'road'. Most people wouldn't have done that.

McDonnell: Right, and they made a large amount of money doing it the other way.

I have been a licensed real estate broker in Massachusetts since January of 1988. So that was great because it's a core license for me and gave me the education that I needed, even though I don't practice in a traditional real estate environment where I'm buying and selling real estate. I'm not doing that; I am strictly an analyst.

In any event, after that seminar, several people came up to me who had bought properties financed by loans that were originated by the Dime Savings Bank of New York. Going back to the legislation in 1982, up to that point, banks could only make mortgage loans in their depository base. That is where they had branches.

But the paradigm shift that happened was Congress enacted legislation that created a new breed of Federal housing creditor. This meant that the banks like Bank of America, Wells Fargo, JP Morgan Chase, and the Dime Savings Bank of New York could create mortgage subsidiaries who could go anywhere in the country and set up a mortgage (a loan and origination) operation.

That is what I mean by the land rush or the gold rush; they could go anywhere. The country was their 'oyster'.

A number of people came to me with these very complicated adjustable rate mortgage loans offered by Dime. The way Dime sold those and trained their mortgage loan officers to sell their mortgage products, which had a deeply discounted start rate. This made their mortgage product look more affordable and more enticing than any other mortgage product out there; certainly more than a fixed rate product. So they dominated the market.

Dime first test-marketed this mortgage product in Florida. Then they went to the East Coast, as far as New Hampshire. They originated loans all over the Eastern Seaboard here.

Those loans were structured in such a way that the monthly payment the borrower would make for the first three years would not be enough to pay the interest. So, assume that your mortgage payment is $1,000 a month. That is what you are paying, but the real interest-only payment is $1,500 a month. So, the $500 that you are not paying will get added onto your principal. So as time goes by, your principal balance increases instead of decreases.

White: It's never-ending; you will never stop, and you will never pay it off at that rate!

McDonnell: Until they force you to, and then the whole thing implodes, which is what happened. That is called a negative amortization loan. That is what Dime was test-marketing from about 1985 to 1989, and then they shut the whole thing down.
I was able to figure out what was occurring and why people ended up in foreclosure when we could prove they had made every single payment on time. Otherwise, they couldn't figure out what was happening.

It was some borrowers in a newly-developed condominium complex on Cape Cod that hired me to audit their loans. They were so upset. They had a meeting with one of their congressional representatives. I remember they organized media and everything. We met with Congressman Gerry Studds in his office in Hyannis. I'll never forget the day I showed him the Truth in Lending disclosure statement from Dime and showed him what it did not reveal.

The whole purpose of a Truth in Lending disclosure statement is so you will understand the true cost of your loan. But it did not reveal the negative amortization. I'll never forget the moment when Congressman Studds pointed at my file, and said, "That is a fraud."

With that, he had his Chief of Staff take 20 complaints to the Massachusetts Attorney General's office. That led to the investigation of the Dime Savings Bank subsidiaries in Massachusetts.

I then went to New Hampshire and spoke to a group of homeowners there. They were in a newly-developed neighborhood. There were many homes financed with a Dime loan. I met an attorney who was trying to help them as well. I discovered in New Hampshire that this particular type of negative amortization loan violated the New Hampshire simple interest statute, which would invalidate 75% of the loans Dime made in the entire state of New Hampshire.

The 'long and short of it' is that the audit of those loans by the Attorney General investigations in Massachusetts, New Hampshire, and Connecticut led to multi-million-dollar settlement awards and relief programs for consumers.

By the mid 1990's, I paid for the research, and between 35-50% of the loans that Dime originated in Massachusetts and New Hampshire were in foreclosure or had been foreclosed upon. Not only that, but following up on how much those properties sold for post-foreclosure; Let's use the simple example of a $100,000 property. Dime would sell it after foreclosing, maybe three or four years later, for $50,000. How does that make any sense? Didn't Dime lose money?

I'll never forget the moment (an 'Aha!' moment) when I was having breakfast with my daughter and her husband, and it dawned on me, "Wait a minute. I'm looking at this backwards. I am thinking that Dime originates a $100,000 loan and the property sold for $50,000 and they just lost $50,000. But what if the money had no value until it was infused into a hard asset? Now they just made $50,000."

It is my belief, and I think there is some rather good evidence if anyone wanted to chase it down that Dime was involved in helping to launder the Iran-Contra money, as were a number of other banks during that period.

I was very early in my career, and I had detected a major mortgage fraud scheme, but it wasn't the consumers who were defrauding the bank – although that is the way many prosecutions were brought and also the middlemen (the attorneys or real estate brokers) who facilitated these transactions. It couldn't happen if the lynchpins hadn't been taken out from top-down; it could not have happened.

Lynn: This is still happening; there is still all kinds of fraud happening today. So, I want to make sure that we have plenty of time to get into the solutions.

We have chart on the abuse in escrow accounts, and it explains to people the three things that we talked about. Maybe we can give it the 'nutshell' version of how these types of fraud continue to happen today. In this particular case on this chart, maybe you can explain to people how they maneuver this through escrow. It's so important that people are alert to the different kinds of frauds. Then you can explain to them how they best protect themselves.

McDonnell: First of all, going back to the story I started with, working on all of the Dime Savings Bank loans, by around 1995, the worst offender was Chase Manhattan Mortgage, and I was auditing loans. I found that these mortgage servicing companies were manipulating people's escrow account to basically trigger or manufacture a default in the mortgage loan. This 'Mortgage Servicing Abuse in Escrow Accounts' chart really gives you the cause-and-effect scenarios of what can and does still happen.

In this particular chart, you see that I copyrighted it when I was doing business as The Mortgage Counselor, and it is dated 2003. So now, we went into the ramp-up in the housing bubble in the early part of the turn of the century. I created this chart because I was brought in as an expert on behalf of a consumer who was in foreclosure with his mortgage. He had sold the property, but about $94,000 was held back in his attorney's escrow account pending a dispute over the mortgage that led to the foreclosure. I discovered the entity that was servicing his service loan account had manufactured a default.

My chart will give you a few different scenarios for this. One way they do it is assuming that you don't have an escrow account. When you buy a home and have a mortgage loan, you want to pay your own real estate taxes and insurance and make a 20% down payment. The lender will allow you to make your own tax and insurance payments. But let's say that 'down the road' the servicer sends you a letter, which you may not pay attention to, and they say, "We need proof of insurance. We need proof that your insurance is still in effect."

If you don't see that letter or respond to it or send them proof, or sometimes even if you do, they will still force-place insurance. That will be two to three times the cost of your regular homeowners insurance. Now the servicer will set up an escrow account that you never had before, and will start collecting for real estate taxes as well. So your monthly payment will increase from only your note payment to a considerably higher amount per month because they are collecting for the real estate taxes and homeowners insurance.

White: Let's pause you here for one moment. I think that Wells Fargo got in trouble a couple of years ago because they were charging people who already had homeowners insurance, and they were still charging them for extra insurance that you are talking about. I want to say that it caused x amount of people's car payments to bounce because it took money out of their account.

My point is that one of the solutions is you have to constantly – every month – 'keep an eye' on your accounts and what your banks are doing. It seems like if you miss a month, that could be the month that they try to run something by you. Anyway, those were my thoughts.

McDonnell: Absolutely. We'll spend a minute more on this chart, and then we can go to the Document Custodian Checklist.

It's absolutely true; even when you take out the mortgage, you want the servicer to maintain an escrow account and pay your taxes and homeowners insurance for you. You will be 'happy' to fund an escrow account for them to do that.

Sometimes they will make a mistake in calculating this amount. Is it really a mistake? We will see. Let's say, to be kind, that they make a mistake and they overcharge you for real estate taxes. Sometimes they will also undercharge you for real estate taxes, which at the end of a year's time, will mean that you now have a deficiency in your escrow account, and they are going to want a 'chunk of money' to pay that arrearage off. Or, they will amortize that over the next 12 months, but you are going to have to pay a higher amount every month to 'whittle' that away.

So, there are any number of ways that the mortgage servicing company can manipulate an escrow account to manufacture a default, and I can't even tell you all of them.

This is the number one basis for wrongful foreclosures amongst a population of consumers who haven't had a true hardship because of a death of a wage-earner or loss of a job or ill health. So, I learned from my experience in the 1990's that, not only Dime and Chase Manhattan, other mortgage servicing companies were intentionally manufacturing defaults. I finally figured out that they were testing a new business model that made foreclosure a new profit center.

It seemed to me, from looking at this clinically – and of course I can audit loans all over the country, and I do – it's like I'm standing on the mountaintop and I can see what is happening everywhere.

Lynn: Also, we have seen over the last couple of years that it amped up even more. I think they want to come in and take over land and do their tiny homes and their smart cities. This is all the more reason they want to buy them up and turn them into rentals because they don't want anyone to own anything. So now it's even more important to be hypervigilant with your documentation.

I know you had another PDF here. We are also going to have other PDFs with great information from you that we will include, which will be linked for subscribers (*Solari* website).

The other one you have here is about being a document custodian. You have a checklist on it.

McDonnell: I would like to go back with one last thought on this Mortgage Servicing Abuse in Escrow Accounts issue. The mistake people are making when they see that their mortgage servicing company has improperly managed their escrow account –by forcing open an escrow account when they did not have one – and they can prove they have been paying their real estate taxes and insurance, they get angry and try to communicate with their mortgage servicing company and say, "You made a mistake. Here is my proof." Since about 2005, you cannot solve that problem unless you pay the extortion money.

It's a very important message for people who do not want to end up losing their home because of a situation like this. So even based on principle, doesn't the Real Estate Settlement Procedures Act say that if I raise a dispute, the mortgage servicing company cannot negatively report to credit until they dissolve the dispute?

Maybe those laws used to work, but they haven't been working since 2005 in my personal and professional experience. Let's say that your mortgage servicing company sends you a monthly bill, and last month it was $1,200. This month it is for $1,350. I'm telling you to pay the $1,350 and worry about fighting it later.

Lynn: So basically, if you missed the email or the letter that came in the mail that said that you had to handle something or show proof of something, if you missed that and they 'hit you' with this charge, you are saying to pay that money. But where do you go after that?

McDonnell: I'm happy to give you the solution: The solution is to avoid superior court. In other words, don't file a traditional lawsuit against the mortgage servicing company. Here is what you are going to do, especially if you are talking about a small amount(under $10,000) that you can handle in a small claims court. You have to pay the extortion money with your check or however you are doing it. You can make a note, "I am paying under protest," or send a letter saying, "I am paying under protest."

Lynn: Right, or you could say, "This is extortion!!"

McDonnell: Yes, because they are collecting more money than you have agreed to under the mortgage contract. That is a breach of contract. You do have a right to sue them, but you will lose because there is so much corruption in the judicial system as a result of everything that we are experiencing these days in all of our institutions that allegedly were to support humanity. They are suffering from internal corruption that one person alone cannot solve.

But here is the solution for this, which is the biggest problem; I am happy to help anyone who finds themselves in this situation. If I get nothing else across in this interview, here is the solution to this: You will pay the extortion money, and then you will file a small claim suit in your local district court. You do have to know something about the laws that govern these transactions in order to set this up properly, but this would be a violation of your promissory note and your mortgage. It's the mortgage that allows those escrow funds to be collected.

So, they will be violating your note and mortgage, violating the Truth in Lending Act, and violating the Real Estate Settlement Procedures Act. If you are successful in a lawsuit that you brought about in small claims court because of the violation of these consumer protection statutes, you will be entitled to recover the cost of your legal fees, entitled to statutory damages, which under Truth in Lending can be $4,000, and under the Real Estate Settlement Procedures can be $1,000 to $2,000. You will also be entitled to any actual damages.

So, if you bring your complaint into the right jurisdiction and have it properly documented, that is, "Here is what happened: I checked with my taxing authority and I checked with my insurance agent, and here is what it should be. Here is what they charged me." Then, not only can you recover actual damages, statutory damages, and legal fees, but because these are also violations of consumer protection statutes in virtually every state, you may also be entitled to double and treble damages – so it would be two or three times. That is the way to win in a situation like this.

Don't let it get out of control, and don't let them take your home. This is intentional. That is what they want to do based on what Klaus Schwab said, "By the year 2030, you will own nothing, and you will be happy."

No, we are not going to be happy about this, but here is how I would recommend that anyone who is facing this type of a scenario handle this situation. If you stop making your mortgage payments, then to the superior court judge you are going to look like a deadbeat borrower, and they are going to 'string that along' until it really looks like you are a deadbeat borrower. It will be almost impossible to show that this was their mistake and to straighten it out without losing your home or paying tens of thousands of dollars in legal fees and perhaps expert fees to solve that problem.

White: How important is it to get everything in writing? We had a case here with a credit union. One of the employees called the borrower and said, "We are updating your loan. Don't worry. You're not going to get any payment information."

They created another post office box in this person's name and sent all the mortgage notes to this post office box that the borrower had no idea even existed. Then they waited until the time was up, and foreclosed on them.

I think that if your lender calls you and says, "Don't worry about your payments. We are reworking things. We are going to try to make a better plan for you," you should get all of that in writing, correct? Would that even help you?

McDonnell: Yes, and we should move over to the Document Custodian Checklist.

White: Yes, I can bring that up right now. It's ready whenever you are.

McDonnell: First of all, in the exact situation that you just described, if that really happened the way you said, under our United States Constitution we have a right to due process. Notice is an absolute requirement under your note and under your mortgage. So, if there will be any changes to the contract, you have to get it in writing, and your note and mortgage will say where those notices have to be sent.

If a rogue lender actually did something that nefarious to prevent the consumer from getting notice, there is no safe haven for that lender. They would have manufactured a default, and everything is on them.

It is true that it is all about the documentation. I like to say to my clients or on an interview like this that there are two primary problems: One is that they do not have their documents well-organized (if at all), and two, they cannot find a qualified attorney who can and will help them.

The latter problem regarding attorneys, to a large extent, is because there is virtually no training for consumer law attorneys. All the legal talent is being drawn to where the money is – to work for the banks and the lenders and handling that type of foreclosure litigation. Once securitization became popularized in terms of how mortgage loans are funded behind the scenes, it adds a layer of complexity that simply is beyond the ken. They don't teach this in law school and they don't teach it in college. You would have to get a masters in finance in order to be introduced to those types of concepts. So, it is very difficult for consumers to find a qualified attorney who can and will help them.

With the paperwork, it's so important for people to keep their paperwork. My ability to help consumers is in direct proportion to the amount of paperwork they can provide to me. That starts at the beginning.

When you sign those mortgage loan documents – and these days it is in an e-closing, which is electronically transmitted to you and electronically signed – you need to download those to your computer, save them in a safe place, and double-save them on an external drive, and print them out as well.

If you go to a closing at a mortgage company or the registry of deeds or at a real estate office, they should have a complete copy of all the paperwork you've been asked to sign for you to take with you. That is the law.

It is critically important to keep that paperwork. Especially with these legacy loans that were originated prior to the 2008 financial crisis, we are not foreclosing on those properties yet. There was such tremendous volume of loans in foreclosure that I'm still dealing with loans from that time period.

White: That is troubling because there is another cycle that is about to hit here. So, you don't even have the first one cleared up, and now we've the next one that is about to hit.

McDonnell: That is it exactly.

Lynn: So with the documents, it's not only the origination documents, but like you point out, it's the homeowners insurance, the homeowners association dues, and all of those. I have had plenty of issues with the homeowners association. You also have the annual escrow account disclosure statement, correspondence, requests for information, and, of course, all of your monthly mortgage statements. You also need to have proof of payments.

I think that any time you can trace back that trail of proof, it is obviously critical. With that, what I am really curious about is the mortgage origination. Many people go in and find, "I'm going to deal with the broker," or, "I'm going to deal with my local bank," or, "I'm going to deal with Bank of America," (God help you). Then they find either that is a corrupt bank or they sell off your mortgage, which often happens, to some company. Now we've ESG (Environmental, Social, and Governance) coming in on all of this, which I was recently dealing with on my mortgage, but I just sold, so I'm good now.

White: Is that BlackRock?

Lynn: Yes, where banks are starting to get involved. I know that is a big concern.

My question is: Is there a good way of going about seeking out a mortgage lender who you can trust and/or that isn't going to sell your mortgage? Where does someone begin with that search so that they can at least try to start out on a 'good path' with this?

McDonnell: We still do have community banks. That is what I would recommend.

There are many people who won't qualify based upon the underwriting standards that your local community bank or credit union has to meet. That is often why, if you are self-employed, you may have to go to a mortgage broker who has access to a lender who will make a loan and create an exception that your local bank wouldn't.

I would absolutely start with your local community banks where you deposit your money. Even if you have to pay a little higher interest rate (an eighth or maybe even a quarter), especially if they will continue to service your loan, I would do that.

Local community banks, in order to really serve the population, will have to sell most of their loans to Fannie Mae and Freddie Mac, but they won't retain the right to service the loan. That is will possibly be as good as you can get unless you are offered what is called a 'portfolio' loan that your bank or credit union will make on their own funds on deposit. So, it would be one of those two scenarios. You want to start there and try to stay local – like Catherine Austin Fitts recommends. I am a 'million percent' on that, especially if you maintain your deposit accounts there and are building relationships. Believe me, in this culture that we are in of dehumanization and creating remoteness, from person to person – live and in person contact – it makes such a difference when you have a problem to be able to explain the situation, see what can be done, and they will work with you; they will even advocate for you.

For example, let's say that the loan was sold to Fannie Mae or Freddie Mac. They are right there, and they have a 'good pulse' on what is happening in the community, and they can advocate for you.

White: Corey touched on this earlier: A 15-year loan or a 30-year loan? Which one is safer? Do they target 30-year loans more than 15-year loans, or do they try to scam people on both? Are there any advantages or disadvantages to going with a 15-year or a 30-year loan? Those are the two main loans, correct?

McDonnell: I would say so, yes. Are you talking about fixed rate, adjustable rate, or both?

White: Fixed.

McDonnell: I see the fewest problems for consumers who have taken out a fixed rate loan, regardless of the term, whether it's 30 years, 25 years, 20 years, or 15 years. This is why: A fixed rate loan is very much on 'automatic pilot' with respect to how your monthly payments will be applied to principal and interest. There is no fluctuation, so it requires very little human intervention. It's easy, and you can even do the math to figure it out.

White: Are you talking about an amortization table? You can look at that and tell exactly how much, correct?

McDonnell: Yes, you can go onto my website where I have a mortgage calculators. You can create an amortization table there or on your bank's website. It is much easier for you to track and follow: Did they apply the right amount of money to principal this month, or did they not?

Of course, with respect to how much interest you are going to pay on the loan, just after we spoke about doing this interview with you, a *Solari* member contacted me. She is going to close on a new home soon. She wanted me to review her loan origination paperwork and the file disclosure as she completes the transaction. It was great because that is the best time to get an initial consultation. I brought a few things to her attention. There were no big problems, but it needed a tweaking here and there.

She took out a 15-year loan, and wants to accelerate the payoff on that loan. So, based upon her budget or her goal, I am going to create a mortgage acceleration plan that will pay off that loan in ten years.

You can take a 30-year mortgage loan so that you can stretch out the required monthly payment for budgetary purposes, but you can add money on a monthly basis, quarterly basis, or annual basis and pay that off in 15 years and save all that interest.

White: As long as you let them know that you want that applied directly to the principal, correct?

McDonnell: Yes, you have to let them know on a separate piece of paper, "Apply this $200 directly to the principal."

Lynn: In regards to paying off your mortgage in full, what documentation do you need so you have proof and they don't come back to you 'down the road'?

I was asked this question by someone who recently went through this.

McDonnell: First of all, I would recommend that everyone who has a mortgage sends out a request for information to their mortgage servicing company once a year. You should request what I am going to call a 'life of loan transaction history'. That means that you want an accounting from the date that you took out the loan to the present time, and do it once a year.

The reason I want you to do this is that the documentation, including the monthly mortgage statements that are sent to you or that you can download from the lender's website, is primary-sourced evidence. That means that later, if there is a problem and you need to come to me to help solve it, I have what is called 'primary source evidence'. That is the documentation you collected at the time it was generated by the computer software system.

What is happening now, especially if you are looking at a loan that has a lengthy period of default and has been through foreclosure and maybe bankruptcy, and it has been sold to a debt buyer, which may be a good conversation for another time, are the things which people will experience frequently when the servicing of your mortgage loan is sold to another entity. That can happen a number of times during the life of the loan. Every time the loan is sold to a new servicer, that new servicer isn't necessarily collecting all the back data. That could become critically important in the future if there is a dispute or if you run into a problem or if you are facing foreclosure.

I can tell whether the lender servicer debt buyer is making things up because they don't have a complete accounting. If you've the best records, you are going to prevail. It is critically, critically important.

A property that I was working on for a client has just been foreclosed and the proceeds of that sale are in an escrow account. My client, who was foreclosed upon after her husband passed away in 2014, which created payment disruption, wanted to know if the private lender – who made these two mortgage loans– is taking too much money off the table. She asked me if I could help her figure this out.

Because it went through foreclosure, I was able to go online. I could see all of the documents that were filed through the court. I could analyze those numbers. I wrote back a very lengthy email saying, "There is not enough information presently available to figure this out, but I can tell you that they are charging too much interest in a number of ways," and I began spelling that out.

When most people pay off a loan, especially if they are selling a home or refinancing, this is going to be handled by a real estate agent or a mortgage broker. They are going to request a payoff from the lender, which they may or may not get to see the line items. So, they don't actually have an opportunity to challenge that.

What I'm doing in the situation I just described is that I need complete accounting. "You have $57,000 here in insurance and other costs. I want an itemization of how you get to that number because I have already analyzed the tax history, and the client is paying her own insurance. Where does that $57,000 come into play here? Itemize it for me."

Then they roll that into the total, and start charging interest on the total. So, there are many layers of overcharges in this situation.

I recommend ideally that people should come to me. Let's say that you are listing a home to sell. When you list the property for sale, come to me. Let's audit that mortgage loan so that we know, when the payoff comes, exactly how much you owe. It's so easy to not know. No one looks at the money.

Here is another situation: When a homeowner passes away and they leave a home that is mortgaged, usually we will have a probate attorney and a personal representative appointed and authorized by the court to handle the estate of the deceased. They know nothing about that mortgage; the probate attorney knows nothing about the mortgage. It is so easy for a rogue mortgage servicing company to start throwing fees that don't belong there, and you will have no way of knowing.

In those scenarios, when a loan is about to be paid off, especially if we are talking about an estate that is in probate, it's a great time to give me a call. It sounds like I'm blowing my own horn, but you won't know how to figure it out without a bit of coaching.

White: I have several last questions: Are there any groups or homes that are targeted more? Can they target people who have more equity in their homes? Can they target people who have more homes, like one of several homes they own? Are there any criteria or any situation that people should be mindful of in order to avoid 'shenanigans'? Do they target any specific groups or type of home based upon your research? Or is everybody, more or less, a victim?

McDonnell: You are right that certain people and properties are being targeted. For example, there was a mortgage servicing company located in Texas called EMC Mortgage. It started on its own, and then it was acquired by Bear Stearns. Until Bear Stearns failed, EMC was quite a big servicer.

Backed by Bear Stearns, EMC would buy portfolios of defaulted loans. The way they would figure out which loans they wanted to buy was by using a property valuation model. They would determine how much equity there was in the home, and then they would very intentionally select a number of loans to go after, knowing they could buy the troubled loan at a discount, handle the litigation cost, and still walk away with a windfall.

As always, elders are targets because they are apt to have plenty of equity in their home. They might have taken out a reverse mortgage, and those can be very, very difficult to deal with. Recently, I audited a reverse mortgage loan, and I found about $16,000 in fees that got 'sacked' onto the loan just as the gentleman was dying. After he was deceased, about $10,000 more was added on.

White: What despicable people do that to someone who is dying? That is the worst part of society. Sorry for my commentary, but that disgusts me!

McDonnell: The abuse on these loans is also what drives me. It's a passion for me (if you haven't figured that out yet). I have always wanted to help the underdog, the little one who is picked on by the bully. This has always incensed my feeling of what is right, just, and fair.

The more vulnerable you are, the more they seem to target you. Women are very vulnerable and African Americans are very vulnerable. I have a fairly recent client whose mother had owned a property in St. Louis. It's on Cook Street, which used to be a very wealthy, thriving black community. He told me a little about the history of what happened and what is still happening now to try to drive residents out of those neighborhoods so that they can be redeveloped and so forth.

I saw this back in the 1990's with Dime. Loans were being made, especially in the Boston area. We put push pins on a map to see where Dime was making these mortgage loans. It was around technology belts, coastal communities, and certainly around Boston. They would make a mortgage loan that was unaffordable to an African-American family who had that home for four or five generations, and just move them 'out of Dodge'.

It's a human engineering tool as much as anything when it's not used for the right purposes.

White: We are actually over time, which is okay. There will be a copious amount of data that is going to be included in the documentation along with this. This is so complicated, but it's not complicated when you break it down on the checklist that you provided and you keep records. The other side makes it very complicated and convoluted to keep the average person from understanding the types of scams they are trying to run.

I hate to throw these people 'under the bus', but I have experienced this personally, so I am very jaded.

At any rate, before we go, I would imagine that the majority of bankers out there are probably not out to try to get you, and they are probably not trying to steal your things and rob you. That doesn't mean that you shouldn't be mindful of all these things.

Marie, in closing, the best thing to get across to people would be this: If you don't pay attention to your business, somebody else certainly will.

Would you care to close on anything like that? Is there anything else that you want to say in summing up and giving the audience something to leave with? Perhaps there is some positive things they can do.

McDonnell: I would just pose this question: In light of the culture in which we find ourselves these days, why is it that you don't learn about home mortgage financing at least by high school, and certainly by college or post-graduate work?

What you learn is how to make money and why you should buy a home, but as for the rest of it, if you have not educated yourself about what is involved, you are relying on other people to make decisions for you. They have made the process of home buying and obtaining a mortgage as easy as taking out a credit card. It is elegant. But does that mean this is right for you? Is this going to create long-term sustainable homeownership opportunities? You do have to look a little deeper. At the very least, you have to maintain a complete documentary file – not only from the origination of the loan, but throughout the servicing of the loan.

James and Corey, at some point, we should do a session where we do a scary letter interview. I will talk about why: If you find yourself in default or in foreclosure or bankruptcy, you have to open those scary letters. Do not throw them in the waste basket. If you have four letters and they look identical, and you keep one and throw away the other three, that is not enough; you need them all.

In any event, every time that you are being enticed to look at how wonderful home ownership is but you don't look here, in terms of what this is going to cost you and where the pitfalls are, you are leaving yourself vulnerable.

It is much too costly when it comes to your largest investment and financial obligation. You will pay more on a mortgage than you will in any other type of income tax, and you need to pay attention to it.

White: Sadly, there are people out there just 'waiting in the wings' to take advantage of people who don't know or who don't keep track of their records. It's a numbers game for them. They do it so often that they know they are eventually going to catch people who aren't prepared, and they are going to end up ''fleecing them.

You need to be that person who is prepared so that you are not the victim.

Corey, did you want to say anything?

Lynn: I just want to thank you so much for coming on with us, Marie. I know that we could probably go on for two more hours. You are a wealth of information. We also have included in the PDFs how to stop foreclosure sales by sending in a Notice of Error. We didn't have time to get into that, but that will be included in the PDF.

I want to thank you so much for your time and being here with us.

McDonnell: You're welcome. It's my pleasure and privilege. Thank you both.

White: You are quite welcome.

This is going to be the end of this edition of the *Solution Series* with Marie McDonnell who is with McDonnell Property Analytics. We will have Marie's information on the documentation so you can call her if you need assistance for yourself. You will be able to reach out to Marie for that.

We want to thank you for looking and listening here. If you are interested in finding out more about these programs, you can go to www.Coreysdigs.com or *www.Solari.com*. Until next time, we appreciate you looking and listening in. This is James White for *The Solution Series* saying goodbye for now.