

GALT MILE NEWS

NOVEMBER 2010

THE OFFICIAL NEWSLETTER OF THE GMCA



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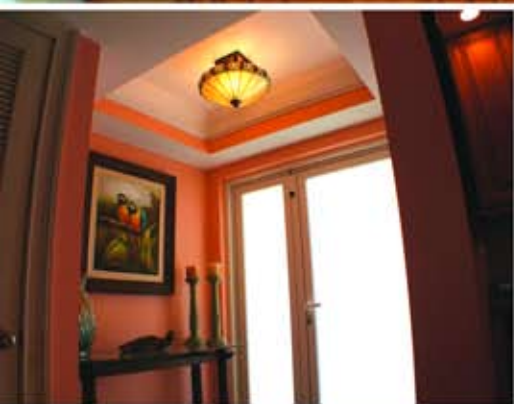
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COMMUNITY ASSOCIATIONS

THREATENED WITH NATIONWIDE MORTGAGE

By Eric Berkowitz

Since the onset of the recession, members of Common Interest Communities (CIC) have good reasons to feel like rats on shock plates. Thanks to last year's legislative footwork by Statehouse Representative Ellyn Bogdanoff, State Senator Mike Fasano, a sympathetic legislature and a Governor who gratefully took his hand off the veto switch, association members dodged big-time retrofit assessments for questionable sprinkler systems, doubly redundant back-up power systems for elevators, manual fire alarm systems for units in 2 or 3 story buildings with two egresses and a screwball compliance strategy for enabling phase two firefighter service elevator access.

As the celebratory reaction to this long-awaited financial relief waned, the Federal Housing Finance Agency (FHFA) pumped out another prospective ulcer for Community Association members. On August 13, 2010, the FHFA issued a media release proposing a regulation to ban the use of deed-based or covenant-based transfer fees. The FHFA's stated intention was to prevent Real Estate vampires from bloodletting homeowners for a few extra dollars whenever a property is sold. Private transfer fees - commonly referred to as a "flip tax" - often go to unidentified third parties for questionable services or simply enable developers to squeeze a premium from homebuyers. When the FHFA released its strategy for excising these parasitic elements from the purchase process, the Agency's poorly drafted proposal also threatened to devalue properties owned by millions of association members across the country. Federal bureaucracies have an undisputed talent for proving that the road to hell is paved with good intentions.

The dark side of this practice is exemplified by a plan engineered by Freehold Capital Partners of New York. Restricted or banned in 18 states, a participating developer records a long-term covenant requiring payments to trustees or other private parties whenever the property is resold. Under the Freehold program, a 1% fee is paid by the seller at every closing over a 99-year period. A trustee distributes the funds to investors, which usually include the original developer. Harvesting these private transfer fees is wildly lucrative, since a century of inflating property values can easily quintuple the developer's income from any participating property. The scam disproportionately molests home buyers in professions requiring frequent relocations, like military families, corporate professionals, seasonal workers and government employees. When Freehold recorded \$488 billion in properties pumping out premiums by late 2009, consumer advocates went ballistic.

In July, a collection of 11 organizations promoting widely divergent agendas coalesced to form the "Coalition to Stop Wall Street Home Resale Fees." Composed of veterans groups, consumer advocates, labor unions representing transport workers and government employees, the National Council of La Raza, libertarians and property rights groups, these strange bedfellows are spearheaded by two Washington juggernauts, the title insurance industry and the realtors' lobby. After eliciting documentation that the Freehold-style transfer fees violate Federal Housing Administration (FHA) rules, they lobbied Treasury Secretary Timothy F. Geithner to pressure Fannie, Freddie and the Home Loan Banks into priming the mortgage nuke. Two weeks later, they got their wish. The powerful 1.1 million-member National Association of Realtors, the nation's largest trade organization, has also been pressuring state legislatures to stigmatize transfer fees, which are believed to infringe on agents' commissions.



In the August 13th FHFA News Release, Deputy Director Stephen Cross of the FHFA's Division of Federal Home Loan Bank Regulation stated "FHFA is concerned that the fees fund purely private streams of income for select market participants and do not benefit homeowners. Further, even if the fees are dedicated to homeowners associations, they are not proportional or related to the purposes for which the fees were to be collected."

Anchoring the FHFA rhetoric is their contention that private transfer fees artificially raise the cost of homeownership. When those fees pad some developer's bottom line and flow into a Cayman Islands numbered account, the Agency's concerns are well founded. However, when the fees fund expenses that otherwise would have to come directly out of homeowners' pockets, such as capital and/or maintenance projects, association reserves and specific operating expenses, the opposite is true.

Given the overly broad (and grammatically hobbled) definition of their target as "any fee or payment required at time of sale of a property by a deed or covenant restriction," the FHFA rule would also apply to deed-based transfer fees used by many community associations to offset expenses for producing documents or verifying information alleged by prospective applicants for association membership. Unfortunately, the FHFA rule doesn't distinguish between legitimate association transfer fees and those that serve as ethically dubious income streams for developers or undisclosed third parties.

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GALT RESIDENTS

RESCUE READING CENTER



broward county
library
galt ocean mile reading center

By Eric Berkowitz

Last year, when Broward budgetary convulsions verged on closing the popular Galt Mile Library, President Herman Gardner of the Friends of the Galt Mile Reading Center solicited help from the Galt Mile Community Association to mitigate the threat. In turn, neighborhood leaders met with Broward Commissioner Ken Keechl to devise and implement an effective salvage strategy. Plaza South resident Terry Claire, assisted by husband Bill, was charged with overseeing a plan to elicit thousands of supportive petition signatures, hundreds of letters and emails and dozens of resolutions from Associations and civic organizations. Copies of the collected documentation were delivered to each member of the County Board by Commissioner Keechl.

To drive home that cutting the Reading Center's negligible funding would carry a political price, more than 100 Galt Mile residents wearing "Save our Library" t-shirts and buttons staged an unusual demonstration at last year's final Budget meeting. Instead of consuming hours of the Commissioners' time and patience by filling the speakers list with angry supporters offering redundant rationales for saving their Reading Center, one representative spoke on their behalf. When Galt Mile President Pio Ieraci completed his three minutes, half the meeting's audience stood up and quietly vacated the chamber. Effective as it was dramatic, the tactic capped a successful strategy to preserve the Galt Library's fiscal fuel.

This past May, Gardner realized that the 2009 budgetary threat was proportionately exacerbated by last year's 11.7% drop in Broward property values. At a July 1st caucus called by Neighborhood Association officials, Broward Mayor Keechl and City Commissioner Bruce Roberts, dozens of local Library supporters crowded the Reading Center's small meeting room to craft another survival strategy for the embattled Library. Hoping to mirror last year's success, attendees agreed to set aside anger-driven knee-jerk suggestions more appropriate to venting and support recommendations made by their County Commissioner.

Keechl explained that the local library was particularly vulnerable was to politically motivated budget maneuvers deliberately launched

in the eleventh hour, when fatigue and frustration could prompt inequitable concessions from weary Commissioners. He recommended a two-part plan to clarify the neighborhood's concerns and preempt a political ambush. He suggested that "a formidable demonstration of community support" be organized before the September 14th budget meeting. The second part of his plan entailed a replay of last year's demonstration at the final budget meeting scheduled for September 28th.

A few days later, Neighborhood Association officials Eric Berkowitz, Fern McBride, Fred Nesbitt, Friends President Herman Gardner, Plaza South activist Terry Claire and Commodore resident Leann Barber met to formulate a plan for replicating the prior year's documentation. The 2 month campaign yielded nearly four thousand petition signatures, about 800 letters to Commissioners, emails to the neighborhood association and County Commissioners as well as updated Civic and Association resolutions attesting to the Library's significance as a community anchor.

After copying the collected documentation, Leann Barber sent a full set to Commissioner Keechl, who generated seven more copies for distribution to his commission peers before the September 14th Budget Meeting. At that meeting, the Broward Board of County Commissioners entered what County Attorney Jeff Newton called "unchartered waters." During the first of two official Budget meetings, the Commission refused to pass a budget, hoping to find an alternative to plugging the 2010 shortfall with \$41 million in new taxes. Until the final September 28th budget meeting, they would try to negotiate with the sheriff, clerk of courts, supervisor of elections and property appraiser to share \$23.3 million of the deficit. Fat chance!

Ordinarily, they would have passed a tentative budget at the first budget meeting and polished it up for passage on September 28th. Instead, they postponed passing a tentative budget until the September 28th final budget meeting, which they could use as a spending plan for another week. The temporary blueprint would require final approval by October 5th, a statutory deadline past which the Commission would be forced to extend the existing FY 2010 budget through 2011.

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If the proposed regulation is enacted, Fannie Mae, Freddie Mac and the Federal Home Loan Banks (which are controlled by the FHFA) would be prohibited from buying mortgages in community associations with deed-based transfer fees. As a consequence, the vast majority of legitimate lenders would refuse to issue mortgages for properties in any association with such a provision in their governing documents. Overnight, the association's units would be rendered unmarketable.

It gets worse. To prevent variation in how and when these dedicated transfer fees were charged to prospective applicants, many associations hard wired the governing regulation into their documents as a deed restriction. As a result, the Board cannot simply vote to repeal the potentially toxic provision. In most instances, only a super-majority vote of all the owners will be able to neutralize this rule if the FHFA morphs it into a poison pill. Removal of a deed restriction in some associations requires the consent of every single unit owner. In large master planned communities with thousands of units, eliciting a unanimous vote for virtually anything borders on the impossible. Andrew Fortin, vice president of Government and Public Affairs for the Community Associations Institute (CAI), offered this assessment of the challenge facing thousands of these mega-communities nationwide, "It would be more difficult than amending the United States Constitution."

When the FHFA failed to distinguish between association transfer fees and those that fuel the Freehold cash machine, the anti-fee Coalition quickly erected a firewall, stating, "Don't let Freehold muddy the water on this one - make sure that every homeowner knows the difference between their sneaky for-profit covenants and the communal amenities structure that HOAs and Condo associations use to benefit the property and the community." They assert that Freehold violates the longstanding real estate principle that "Any covenant that burdens the land should also benefit the land," since their "for-profit transfer fees provide no service or benefit to homeowners, raise the costs of home ownership and direct money straight back to Freehold and other third parties." They conclude with an unambiguous declaration of support for association transfer fees, stating "Resale fees levied by homeowners' and condo associations, in contrast, direct money back towards homeowners in the form of infrastructure and amenity improvements. This is what differentiates them from the private, for-profit transfer fee that the Coalition opposes."

Hoping to frame his Agency's new policy as a measured response to an inequitable practice, FHFA Acting Director Edward J. DeMarco stated "The risks and uncertainties for the housing market that come with the use of private transfer fee covenants do not appear to be counterbalanced by sufficient positive effects." Fortunately, DeMarco took steps to avoid unintended consequences by inviting authoritative input prior to implementing the new policy, exclaiming "We are seeking public comment before finalizing this guidance in order to identify and respond to any related issues or concerns."

The Community Association Institute (CAI) took up the gauntlet. Long considered the Country's foremost educational resource for Common Interest Communities, CAI sponsored a survey that will credibly underwrite the need for an association exemption to the FHFA mortgage monkey wrench. By the September 16th response deadline, CAI compiled statistics from 1,252 respondent communities representing 482,000 housing units. 50% of those communities reported having a deed-based transfer fee and 100% of the collected fees funded community necessities that would have otherwise been addressed by an assessment.

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Lock Out...Continued

When superimposed on the 305,000 homeowners associations nationwide, representing 24 million housing units and 60 million residents, unless the Agency redrafts its proposal to better target its stated objective, 12 million homes - and 30 million people - will become collateral damage. By submitting the survey results prior to the deadline, CAI disabused the Agency of any right to classify subsequent catastrophic repercussions as "unintended consequences."

The CAI survey demonstrates that transfer fees used by community associations do not suffer from the vagaries that prompted FHFA concerns about their potential for abuse. Unlike the private "flip taxes" that are charged to homebuyers for nonspecific services or indemonstrable "future benefits" that invariably disappear into hopelessly blended bank accounts, the deed based fees collected by common interest communities fund services that directly benefit the association in which the homebuyer is a stakeholder. The dedicated funds are segregated, identifiable in the association budget and provably expensed.

Furthermore, by structuring reimbursement of screening costs as a transfer fee, all due diligence protocols are observed. The association properly affixes responsibility for screening and document handling costs on the applicant, protecting the existing membership from inappropriate assessment. It also protects the applicant by providing for cost reimbursement only at closing, when the homebuyer officially consummates membership in the association.

While the CAI documentation should precipitate special treatment for Community Association transfer fees, the FHFA bureaucrats charged with the final decision remain primarily answerable to the political agenda that originally gave rise to the proposed rule. In short, unless the survey is punctuated with grass roots support, a Federal Government whose bureaucrats inanimately watched New Orleans sink into the Gulf of Mexico is not incapable of sacrificing 30 million people in 12 million homes to impress the FHFA's congressional overseers.

When tens of thousands of "no money down", "deferred interest", and "negative amortization" mortgages simultaneously imploded a few years ago, Fannie Mae, Freddie Mac and the Federal Home Loan Banks were diagnosed as terminal. Just as these government sponsored enterprises (GSEs) were going down for the third time, Congress threw them a lifeline, exclaiming the importance of reestablishing real estate stability.

On July 30, 2008 - in preparation for the financial bailout - the Housing and Economic Recovery Act of 2008 created the Federal Housing Finance Agency (FHFA) by morphing the Office of Federal Housing Enterprise Oversight (OFHEO), the Federal Housing Finance Board (FHFB), and the GSE mission office at the Department of Housing and Urban Development (HUD). In addition to Fannie Mae and Freddie Mac, the 12 Federal Home Loan Banks fell under the regulatory and supervisory oversight of the new agency. No longer the Magic Kingdom where spectral financial icons and administration avatars mysteriously churned out daily blueprints for the next day's world economy, the FHFA humbly assumed its new role as bastard stepchild to a nervous Congress.

On Friday, October 15, 2010, The FHFA closed an official comment period for their proposed regulation on private transfer fees. Prior to the deadline, CAI tracked more than 2,600 comments submitted to the FHFA by organizations and individuals that distinguished between admittedly beneficial Association transfer fees and funds elicited to fuel and investment vehicle. The National Association of Homebuilders (NAHB), The Coalition to Save Community Benefits and The Leading Builders of America joined CAI's effort to prevent FHFA from throwing out the baby with the bathwater. (Kudos to the 389 web surfers who sent emails to FHFA from links provided on the Galt Mile web site!) Congressional responses included an incisive letter of support from Congressman Paul Kanjorski, Chairman of the House Financial Services Subcommittee on Capital Markets.

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In 2009, a bus contracted by City Commissioner Bruce Roberts transported roughly 70 Galt Mile residents to the final budget meeting. Roberts volunteered to duplicate last year's contribution to Keechl's plan by hiring another bus to carry library supporters to and from the September 28th budget meeting. The bus left Southpoint at 3:30 PM and headed north on Galt Ocean Drive, boarding groups of waiting passengers in front of their respective buildings. After arriving at Government Center at about 4:20 PM, the disembarked Galt Mile residents met with friends and neighbors who arrived via alternative means and donned their t-shirts and buttons prior to filing into Room 422, the Commission Meeting chamber. Pio leraci was again empowered to speak on behalf of the more than 100 Galt Mile Library supporters.

Within minutes of the official 5:01 PM start time, Mayor Ken Keechl called on GMCA President Pio leraci, who opened by expressing sympathy for the Commissioners' mind-numbing task of enduring untold hours of expected complaints, insults and tortuous emotional supplications during the balance of the meeting. He confirmed his faith in the Commission to protect the only County asset uniquely dedicated to Galt Mile taxpayers, briefly describing the Library's importance to community residents. When he stated that he was joined by a few friends, most of the audience simultaneously arose, silently displaying a wall of "Save the Galt Library" t-shirts and buttons.

After making eye contact with each Commissioner, the Mayor turned to his constituents and announced "I'm pleased to inform you that the Galt Mile Library is fully funded in the current budget." Ignoring an official pre-meeting admonition against demonstrations of support or disapproval by audience members, decorum was broken by a spontaneous ovation. On cue, the Galt Mile contingent headed for the exit, reforming in the lobby to await the bus.

When the meeting proceeded, the Commission surprised on-lookers by pursuing a 180 degree reversal of their September 14th refusal to raise last year's 4.889 millage rate (\$488 for every \$100,000 of taxable value – plus about \$51 in taxes for voter-approved debt). A majority of the Commissioners suddenly supported a proposal that increased the tax rate to \$515, plus roughly \$45 for debt. Since the proposed rate increase is still less than the 5.62 rolled back rate (to match this year's collections, properties would have to be taxed at a rate of \$562 for every \$100,000 in assessed value), Broward tax revenues will decline in FY 2011.

While the new spending plan will save local libraries such as the Galt Mile Reading Center, hours at the Main Library will be shortened. Bus routes will also be pared back and fares increased by 25 cents. Parks will continue to be closed on Tuesdays and Wednesdays.

Much of the session's balance was devoted to political horse trading. When the Commission asked Sheriff Al Lamberti, Supervisor of Elections Brenda Snipes and Property Appraiser Lori Parrish to cut their respective budgets by 5.5%, these Constitutional officers demanded that the Commissioners lead by example and trim their own budget by that amount as well. The Commission clipped \$151,000 (5.5%) from their office budget, meeting the mark they demanded of other departments. Additional savings were harvested from eliminating plans for a new Election Headquarters (\$3 million), squelching a proposed replacement library on Sunset Strip in west Broward (\$525,000), reducing Janitorial services at government offices (\$1.1 million) and cutting a replacement radio communications system earmarked for the Broward Sheriff's Office (\$850,000).

The new budget was approved by Commissioners Sue Gunzburger, Kristin Jacobs, Al Jones, Ilene Lieberman and John Rodstrom. Although Commissioners Ken Keechl, Lois Wexler, and Stacy Ritter stuck to their guns and voted against bumping up the tax rate, it is highly unlikely that they will actively campaign against the slight millage increase. At this stage, it's more about recording a hard-line tax position for political posterity than pressing for unpopular cuts and additional layoffs that could easily translate into potentially catastrophic career baggage.

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While the County board was laying the fiscal groundwork for their October 5th final bite at the budget apple, the Galt Mile demonstrators encountered some unanticipated difficulty. The bus driver hired by City Commissioner Roberts mysteriously disappeared after the meeting. Robbi Uptegrove, the Commissioner's aide who accompanied the group in his absence made dozens of futile calls to the driver – named Martin – who transported the group to the final County Budget meeting for the past two years.

Following an hour of unsuccessfully attempting to contact the driver and postulating reasons for his inexplicable disappearance, group leaders explored alternative transportation back to the Galt. When a bus similar in appearance to the one that drove them to the meeting approached the group, Edgewater Arms President Gary Tripoli and GMCA Vice President Eric Berkowitz hailed down the passing vehicle. Once the driver ascertained that Berkowitz and Tripoli weren't domestic terrorists with designs on hijacking his bus, he put Berkowitz in touch with his boss. Following 60 seconds of expedited negotiations, Berkowitz began boarding his neighbors onto the replacement bus.

En route to the Galt Mile, the roughly 50 passengers celebrated having insured the library's survival for another year. While satisfied that Commissioner Keechl kept his word and helped bring their efforts to fruition, they also knew that unless property values convincingly climbed throughout 2011, they would face this battle again next year.

As the bus rolled up Galt Ocean Drive, small groups of passengers were discharged in front of their respective homes. Although pleased to return home with a victory under their belts, each participant in the evening's developments was dogged by a nagging curiosity. What the hell happened to Martin?

Over the next few days, scores of emails by grateful library patrons flooded the Galt Mile Community Association email inbox. The Reading Center's popular Librarian Marlene Barnes called on behalf of Library staffers to thank the "demonstrators" for their efforts. She also acknowledged that "everyone who signed a petition, sent a letter or email or issued a resolution shared in this victory." She was especially grateful to Leann Barber, the Commodore resident who spent two months trawling Galt Mile Associations and civic organizations for petition signatures, letters and resolutions.

On September 30th, Broward Commissioner Ken Keechl sent an email describing the demonstration as "fantastic" and that "It was extremely impressive seeing all of those white shirts in the audience." After confirming that the tentative budget passed on September 28th secures the Galt Mile Reading Center's funding, he added "Again, my colleagues were very, very impressed. Several made it a point to tell me so. Once the final budget passes next Tuesday, we can make it official."

By the way, when Robbi Uptegrove finally contacted "Martin", the reason he gave for his enigmatic disappearance was a candidate for the Guinness Book of Records "Flights of Fantasy" category – unworthy of repetition. Sorry!•

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Galt Mile Residents Disembark Bus at Broward Government Center



Galt Mile Library Supporters Enter Budget Meeting

The FHFA will now review all the comments submitted on the proposed regulation. When that process is complete, the FHFA may withdraw the regulation, issue a revised regulatory proposal or implement the regulation as drafted. Since there is no set time frame for issuing a final or revised regulation, the review period can span a month, a year or more depending on the scope and complexity of the issue. CAI has committed to monitoring the FHFA and reporting subsequent actions taken on this issue. Until then, check the online CAI Transfer Fee Resource page to keep abreast of events. To contact the Agency, our Congressional representatives and/or access CAI's "Transfer Fee Resource Page," go to the Galt Mile Website (www.galtmile.com), click on the home page center column headline "FHFA Threatens Assn Mortgage Lockout" and scroll down the page to relevant links located below the article. Easy as pie!•



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INTERIM CITY MANAGER STEERS CITY BUDGET TO SOFT LANDING

ALLYSON LOVE SHIELDS SERVICES WHILE CUTTING COSTS

By Eric Berkowitz

Following their summer hiatus, the Fort Lauderdale City Commission addressed the FY 2010 - 2011 municipal budget at the August 17, 2010 Commission meeting. Before relegating responsibility for running the city to Interim City Manager Allyson Love, former City Manager George Gretsas crafted a \$611.7 million municipal spending blueprint burdened by a \$31 million deficit. Compliant with 5 budgeting parameters devised by the City Commission, the budget preserved city jobs, capped the fire assessment fee, maintained impressive reserves, funded every critical service and duplicated the previous year's 4.1193 millage rate. Gretsas, whose fiscal agility buoyed Fort Lauderdale's financial health to levels unmatched by neighboring Broward municipalities, planned to transfer \$17 million from the city's hefty \$61,586,766 cash balance to help plug the shortfall.

Pressed by the volunteer Budget Advisory Board, the Commission ordered Interim City Manager Allyson Love to clip another 5% from city expenditures, an action that would conveniently eliminate the deficit before the City's September budget meetings. Since Gretsas had already surgically skinned the spending plan, Love's options seemed largely limited to sacrificing infrastructure, forcing furloughs or reversing employee benefit concessions. In a testament to her fiscal skills, Love conceived a viable alternative to plucking the entire \$17 million from the Reserve Fund – without breaching the Commission's rigid budget requirements.

Unveiled at the September 21st final City Budget Meeting, Love's revised plan eroded the \$31 million deficit via freezing 46 positions (\$2.8 million), implementing departmental reductions (\$6 million), cost recoveries (\$2.8 million), additional revenues (\$2.7 million), Fleet savings (\$3.9 million), payroll funding reductions (\$.8 million), annexation (\$.7 million), fuel savings (\$.3 million) and a draw down on pension reserves (\$4.1 million), thereby reducing the drain on city reserves from \$17 million to only \$6.86 million.

While the operating millage rate remains static at 4.1193, voter mandated fire protection projects will increase the tax rate for city debt from .1343 to .2173, lifting the overall tax rate to 4.3366. Despite the Ad Valorem revenue loss of \$11.8 million to declining property values and \$1.6 million in squelched interest income, the adjusted millage rate will translate into an average \$100 savings for Homesteaded unit owners (and \$124 for non-homesteaded condos or co-ops).

The new budget's operational impacts include closing the swimming lake at Snyder Park right away and the Fort Lauderdale Stadium next June, delays in the permit review process and capital projects, limiting trash pickup and disposal services to normal workday hours, reducing emergency storm response resources (demolitions, storm debris removal, emergency food and services, etc) and less funding for staff development. In addition to budget-based departmental contractions, operational functionality of the newly dissolved Office of Management & Budget will be absorbed into the Finance Department.

At City facilities and parks, maintenance reductions will effect the lawn and tree service, repairs to street lights, the servicing of communications equipment, cleaning parking lots, pest control and raking the beaches.

Cutbacks will impact the replacement periodicity for City Hall A/C fan coils, uniforms, software upgrades and vehicular replacement parts. Promotional expenditures will be reduced for media events and consumer awareness, including printed outreach materials (such as mailed copies of FOCUS, the City Newsletter). Love also warned that cutbacks could impair the City's ability to secure funds, assist public benefit nonprofits and lobby for legislative reform. In context of the current economic tsunami, the budget portends a minor, if not negligible impact on the lives of most city residents. Many of the City's most burdensome fiscal inequities, such as Water and Sewer fees, are rooted in poorly balanced Enterprise Funds, exclusive of the budget's operating revenues.

The City assessment only accounts for 23.1% of the overall local tax bite, behind the 33.3% grabbed by the ethically challenged Broward County School Board and Broward County Government, which siphons another 27.4%. After the School Board, County and City swallow the lion's share, 9.6% is earmarked for the North Broward Hospital District, the South Florida Water Management District gets 3.5%, and Children's Services receives 2.4% while .2% is leaked to the Florida Inland Navigation District.

After voting to pass the budget by a 3-2 margin (Bobby Dubose expressed concern about service cuts and Charlotte Rodstrom habitually votes "NO" pursuant to some inexplicable hyper-vigilance syndrome), the City Commission considered taking a page from the Broward Board of County Commissioners and discussed ordering budget staffers to make additional cuts that the Commission might subsequently review on October 5th - 5 days into the new fiscal year. City Attorney Harry Stewart reminded Commission members that if a city budget wasn't finalized by October 9th, the Board could sacrifice their right to set a municipal tax rate and possibly lose state funding. Abruptly, Commissioner Charlotte Rodstrom was gripped by a break with reality that trademarks her behavior at Commission meetings and characterized the City Attorney's admonition as a threat designed to intimidate her.

Undeterred by Rodstrom's paranoid accusation, Mayor Jack Seiler expressed concern about a possible 2-2 vote on October 5th, explaining that since Commissioner Bruce Roberts planned to be out of the country during that meeting, a potentially deadlocked Commission could trigger the ominous consequences described by Stewart. Unwilling to gamble with the City's fiscal wellbeing, Seiler insisted that the City Board finalize the budget prior to adjournment.

Commissioners proceeded to strip the budget of 11 additional long-vacant positions, boosting savings from the elimination of unfilled job slots to \$3.5 million (which included washing out the \$117,763 salary for Love's former position, Director of the now obsolete Office of Management & Budget). Divested of wiggle room, Commissioners reluctantly consented to patching the \$6.9 million residual shortfall with reserve funds. At the October 21st GMCA Advisory Board meeting, Commissioner Bruce Roberts described the City's flush Reserve Fund as indicative of Fort Lauderdale's excellent financial health. Since the City's current reserves far exceed the emergency cash standards applied to most municipal budgets, the main premium realized by Love's budgetary micro-surgery will surface next year, when TRIM notices are expected to explode. •

LENDER FRAUD THREATENS ECONOMIC RECOVERY

By Eric Berkowitz

In Washington DC, Tallahassee and State Capitals across the country, public officials intent on squeezing some mileage from the foreclosure "freeze" have dusted off their soap boxes. As usual, instead of clarifying the dilemma, their efforts have injected waves of thick black smoke into an already confusing recovery detour taken by this strange economy.

On June 7, 2010, team leader Jeffrey B. Stephan of GMAC's document execution team opened Pandora's Box while being deposed in Palm Beach County for a Maine foreclosure case (Federal National Mortgage Association v. Nicole M. Bradbury, et al., Maine District Court, District Nine, Division of Northern Cumberland, Docket No. BRI-RE-09-65).

After establishing that he supervises a team of 14 employees and personally signs between 8,000 and 12,000 documents every month, Stephan explained that the Mortgage Assignments and Affidavits he signed in support of Summary Judgment were used by GMAC, Fannie Mae and Freddie Mac in over 100,000 foreclosure cases. He revealed that his training consisted of following behind another team leader (who was subsequently canned) for three days, during which time he received no printed training materials or manuals. Each of the documents he signed contained the statement "I have under my custody and control, the records relating to the mortgage transaction referenced below." Stephan admitted that he never had custody of any of the referenced materials. Although he never inspected the records and was unaware of the information they contained, Stephan confessed to rubber stamping each document with his notarized signature, despite the absence of any notary.

Over the next three months, it became clear that Jeffrey Stephan's admittedly fraudulent methodologies weren't the unauthorized actions of some overambitious mid-level manager but standard protocols devised and enforced by the lending industry and its mortgage servicing machinery. When GMAC was burned for \$13 billion in toxic mortgages from 2006 to 2009, Congress pumped in \$17 billion for a 56.3 percent stake in the company and 4 seats on its

Board of Directors.

On September 17th, spokesman James Olecki for Ally Financial, the Detroit-based parent of GMAC Mortgage, raised eyebrows by issuing a confirmation that the nation's fourth-largest mortgage servicer (with 865 pending foreclosure cases in Broward courts and another 940 in Palm Beach County) ordered real estate agents and brokers to monkey wrench foreclosures, stop evictions & lockouts and postpone sales of GMAC-owned properties. Within two weeks, lending titans J.P. Morgan Chase and Bank of America followed suit.

The revelation that mortgage companies and loan servicers used actionably fraudulent tactics to taint real estate transactions worth \$100's of billions prompted 40 state attorneys general and their respective state regulators to investigate the systemic illegalities. In Florida, Attorney General Bill McCollum probed the State's four leading foreclosure mills, Shapiro & Fishman of Boca Raton, Marshall C. Watson of Fort Lauderdale, the law offices of David J. Stern in Plantation and the Tampa based Florida Default Law Group. At a recent Congressional probe into why Fannie Mae is using these disreputable foreclosure factories to service their \$189 billion Florida mortgage portfolio, Orlando Congressman Alan Grayson revealed that the Stern, Watson and Shapiro & Fishman firms service about 80 percent of the State's foreclosures. Taking a page from FBI Regional chief John Gillies - who bartered sentencing leniency for convicted School Board member Beverly Gallagher in exchange for setting up some of her ethically challenged colleagues - McCollum turned the Watson law firm, which is helping the Attorney General flesh out the extent and impact of Florida lender fraud on the State's struggling economy.

In early October, McCollum's investigation began bearing fruit. Paralegal Tammie Lou Kapusta, formerly of the Stern law firm (900 S. Pine Island Road, Ste. 400 in Plantation), testified under oath that long signing tables were set up on eight floors where employees processed 250 documents per floor each day. Several employees were regularly directed by Stern's Chief Financial Officer Cheryl Samons to practice duplicating her signature. In addition to forging signatures and backdating documents, Kapusta confirmed that staff members casually passed around notary stamps and pre-notarized stacks of blank documents for future use. Kapusta alleged that the attorneys employed by Stern feared disbarment for willingly participating in overtly illegal activities, although they were more concerned about losing their jobs. Under federal law, a lender must show that a service member's ability to repay a debt wasn't affected by military obligations, according to the U.S. Housing and Urban Development Department. Stern's firm would knowingly use the wrong Social Security number to search military records for people who couldn't be located or identified. Kapusta said she was fired about two weeks "after I refused to do the military documents." Not surprisingly, Miami attorney Jeffrey Tew, representing the Stern law firm, issued a statement refuting Kapusta's allegations.

Continued on page 20



NOVEMBER/DEC

SUN	MON	TUE	WED
14 13.1 Half Marathon Start: Port Everglades Finish: South Beach Park Urban Gourmet Market 1201 E. Las Olas Blvd. 9 a.m. to 4 p.m. Info.: 954-462-4166	15 Commissioner Bruce Roberts: Pre-Agenda Meeting Cardinal Gibbons High School, Media Room 6 p.m. Info.: 954-828-5033	16 Burn the Floor, Broadway Broward Center for the Performing Arts Info.: 954-462-0222 Fort Lauderdale City Commission Meeting City Hall 6 p.m.	17
21 Diana Ross Hard Rock Live 7 p.m. Tix.: www.ticketmaster.com Urban Gourmet Market 1201 E. Las Olas Blvd. 9 a.m. to 4 p.m. Info.: 954-462-4166	22	23 A Classical Evening Broward Center for the Performing Arts 8 p.m. Info.: 954-462-0222	24 Broward County Fair (Through 12/5) 106th Ave., Pembroke Pines Info.: 954-922-2224
28 Urban Gourmet Market 1201 E. Las Olas Blvd. 9 a.m. to 4 p.m. Info.: 954-462-4166	29	30 <i>Protecting What is Important: How Insurance Fits In Your Financial Strategy</i> Edward Jones Office 1719 E Commercial Blvd 6:30 to 7:30 p.m. Info.: Leann Barber, 954-303-6750 Christmas on Las Olas Las Olas Blvd. 6 to 10 p.m. Info.: www.lasolasboulevard.com	1 Erev Chanukah 
5 Sunday Jazz Brunch Riverwalk, Downtown FL 11 a.m. to 2 p.m. Info.: 954-828-5985 Urban Gourmet Market 1201 E. Las Olas Blvd. 9 a.m. to 4 p.m. Info.: 954-462-4166	6 GMCA Presidents Council Meeting Place: TBA 7:30 to 9 p.m. Commissioner Bruce Roberts: Pre-Agenda Meeting Cardinal Gibbons High School, Media Room 6 p.m. Info.: 954-828-5033	7 Fort Lauderdale City Commission Meeting City Hall 6 p.m.	8 L-B-T-S Christmas By The Sea Anglin Square 5 to 9 p.m. Info.: 954-776-1000
12 Pompano Beach Boat Parade Intracoastal Waterway 6 p.m. to 10 p.m. Info.: 954-941-2940 Urban Gourmet Market 1201 E. Las Olas Blvd. 9 a.m. to 4 p.m. Info.: 954-462-4166	13 Special Magistrate Hearing WaterWorks 2011 City Hall 10 a.m. Info.: 954-828-5225	14 	15 

**FOR A COMPLETE LISTING OF EVENTS, GO TO THE CALENDAR AT
WWW.GALTMILE.COM**

ONE SOURCE FOR COMMUNITY HAPPENINGS

THU

FRI

SAT

18 Ft. Lauderdale Billfish Tourney (Through 11/21) Tix.: 954-523-1004 BINGO Southpoint's North Lounge (3400 Galt Ocean Dr) 7 p.m. \$5/person for 3 boards	19 Jazz on the Square The Village Grille Commercial Blvd. & A1A 7 p.m. Holiday Fantasy of Lights (Through 11/30) Tradewinds Park, Coconut Creek 6 to 10 p.m. Info.: 954-968-3880	20 "The Harvest" (Through 11/21) Miami-Dade Fair Expo Center Info.: 386-860-0092 Cinema by the Sea "Best In Show" Ft Lauderdale Beach (Just South of Las Olas) 6:45 p.m. Info.: 954-828-4610
25 Handy Thanksgiving Day Bike Fundraiser Las Olas Riverfront 7 a.m. Info.: 954-522-2911 X 208 BINGO Southpoint's North Lounge (3400 Galt Ocean Dr) 7 p.m. \$5/person for 3 boards	26 Jazz on the Square The Village Grille Commercial Blvd. & A1A 7 p.m. Info.: 954-776-5092 Light Up Lauderdale (Through 1/14/11) Downtown Fort Lauderdale Info.: 954-468-1541	27 Downtown Delray Thanksgiving Weekend Art Fest (Through 11/28) Pineapple Grove, Delray 10 a.m. to 5 p.m. Info.: 954-472-3755 Cinema by the Sea "Baby's Day Out" Ft Lauderdale Beach (Just South of Las Olas) 6:45 p.m. Info.: 954-828-4610
2 Winter Wonderland (Through 1/8/11) Plantation Historical Museum BINGO Southpoint's North Lounge (3400 Galt Ocean Dr) 7 p.m. \$5/person for 3 boards	3 Jazz on the Square The Village Grille Commercial Blvd. & A1A 7 p.m. Ft. Lauderdale Home Design & Remodeling Show (Through 12/5) Broward County Convention Center Info.: 305-667-9299, 888-353-3976	4 Bonnet House Orchid Fair (Through 12/5) Bonnet House 10 a.m. to 5 p.m. Info.: 954-563-5393 Hollywood Beach Candy Cane Parade Hollywood Beach Broadwalk 7 to 10 p.m. Info.: 954-921-3404
9 2nd on 2nd Thursdays Block Party 200 Block SW 2nd Street 5 to 9 p.m. Info.: 954-468-1541 BINGO Southpoint's North Lounge (3400 Galt Ocean Dr) 7 p.m. \$5/person for 3 boards	10 Jazz on the Square The Village Grille Commercial Blvd. & A1A 7 p.m. Seminole Hard Rock Winterfest Boat Parade Intracoastal from New River in Ft Lauderdale to Lake Santa Barbara in Pompano Beach 6 p.m. Info.: 954-767-0689	11 Buckler's 9th Annual Craft Fair South Florida Fairgrounds Info.: 386-860-0092
16 G.M.C.A. Advisory Board Meeting Nick's Italian Restaurant 11 a.m. BINGO Southpoint's North Lounge (3400 Galt Ocean Dr) 7 p.m. \$5/person for 3 boards	17 Cats, Broadway (Through 12/19) Broward Center for the Performing Arts Tix.: 954-462-0222	18 The Nutcracker (Through 12/19) Parker Playhouse Tix.: 954-462-0222

ADDITIONAL EVENTS

NOVEMBER 18: G.M.C.A. Advisory Board Meeting, Nick's Italian Restaurant, 11 a.m.

NOVEMBER 19: Tickled Pink - Comedy Night, War Memorial Auditorium, 8 p.m., Info.: 954-828-5381

NOVEMBER 21: Art & Jazz Festival, Pompano Citi Centre Mall, 10 a.m. to 6 p.m., Info.: 954-527-0627

NOVEMBER 21 & 28, Dec 5, 12, 19: Sunset Blue - Miracle on 33rd Street, NE 33rd Street (Galt Ocean Village Shoppes), 6 to 10 p.m., Info.: 954-687-2840

NOVEMBER 30: Joan Rivers, Hard Rock Live, 8 p.m., Tix.: www.ticketmaster.com

UPCOMING EVENTS IN OUR AREA

December 26 - 27

Downtown Delray Beach Holiday Art & Craft Fair
 Pineapple Grove, Delray Beach, 10 a.m. to 5 p.m.
 Info.: 954-472-3755

December 28 - 29

Fort Lauderdale Holiday Antiques Show & Sale
 War Memorial Auditorium
 Info.: 954-563-6747

January 1 - 2

Las Olas Art Fair
 Las Olas Blvd., 10 a.m. to 5 p.m.
 Info.: 954-472-3755

January 3

Orange Bowl National Championship
 Sun Life Stadium, 8 p.m.
 Tix.: 305-341-4700

January 7 - 9

Fort Lauderdale Beach Collector Car Auction
 War Memorial Auditorium
 Info.: 561-533-7945

January 7 - 10

Fort Lauderdale Art, Antique & Jewelry Show
 Broward County Convention Center
 Info.: 561-822-5440

January 8 - 9

24th Annual Boca Fest
 The Shops at Boca Center (5250 Town Center Circle)
 10 a.m. to 5 p.m.
 Info.: 954-472-3755

January 21 - 23

5th Annual International Chocolate Festival
 Fairchild Tropical Garden, 9:30 a.m. to 4:30 p.m.
 Info.: www.fairchildgarden.org

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Recovery...Continued

The Broward-based Stern law firm and the Shapiro & Fishman law firm in Palm Beach County challenged McCollum's right to subpoena documents relating to their procedures, clients and investments. Palm Beach County Circuit Judge Jack Cox twice ruled against the attorney general, declaring that the Florida Bar, the State Supreme Court and the lower courts have jurisdiction over lawyers and their conduct, not the attorney general. However, when Broward Circuit Judge Eileen O'Connor ruled for McCollum on the same points of law, she set the stage for sending the final decision to the appellate courts.

So Crooked Banks hired crooked Law Firms...What's the Big Deal?

The lending industry admittedly took illegal short cuts to expedite foreclosures. In the past, when Banks lost bags of cash, illegally blended accounts, washed drug revenues for overseas clients, lied to regulators, spent recovery funds on golden parachutes, committed outright fraud, theft or other criminal acts, they were usually rewarded or even reimbursed when the dust settled. How does this latest transgression - what lenders initially characterized as a "technical defect" - bring most of the nation's foreclosure machinery to a grinding halt?

When a mortgage changes hands, the new owners are supposed to receive an "assignment" of the mortgage notes from the buyers. When a mortgage is securitized and typically sold to a Bank, it is ordinarily packaged with thousands of other mortgage loans into an investment product. However, neither the assignments nor the notes are given to the investors. Instead, they are recorded in an electronic database and sent to a document repository company.

When the Real Estate market was traveling at light speed, lenders were stumbling over one another to punch out toxic loans. In an environment where concepts like "collateral" and "creditworthiness" were irritating impediments to keeping pace with demand, frenzied mortgage bankers often sacrificed the integrity of document custody chains while racing to book the next contract deposit. Records displaced by the seemingly endless influx of new business were haphaz-

ardly stashed in boxes around their offices or shipped off to storage facilities, often by lenders who later "went south" or were "acquired" by larger lending predators.

On October 31, 2007, Federal District Judge Christopher A. Boyko of the United States Northern District of Ohio ruled that Deutsche Bank lacked standing to foreclose in 14 cases because it could not produce documents proving that it was assigned the mortgage rights when the loans were securitized. When the lenders smugly insisted "Judge, you just don't understand how things work," Boyko retorted that their argument "reveals a condescending mindset and quasi-monopolistic system where financial institutions have traditionally controlled, and still control, the foreclosure process." The handwriting was on the wall. Since banks that were servicing mortgages pooled into investment bonds (RMBS or residential mortgage backed securities) were often unable to prove that they actually owned those mortgages, a series of similar court rulings in several states followed, stopping lenders from prevailing in foreclosure cases burdened by defective documentation.

Within months, a "show me the note" movement comprised of people contesting foreclosure proceedings spread epidemically, primarily through "judicial states." While most states allow banks to foreclose by simply delivering a notice of the foreclosure sale to the borrower, 23 states require banks to go to court for a foreclosure order. If a bank is unable to produce a mortgage note or retroactively build a credible assignment chain confirming vested control of the mortgage rights, it risks losing the right to foreclose. In "judicial states," where the banks must convince a judge to foreclose a property, submitting falsified or fraudulent documents to the court also invites exposure to serious and expensive legal sanctions.

If the fraudulent documents deliberately generated by mortgage servicers are part of some misdirected nationwide strategy to expedite dilatory foreclosure procedures (albeit via the planned violation of banking regulations), the current real estate "hiatus" will soon pass.

(Continued on page 21)

Lenders and their foreclosure factories will either have to locate Mortgage Assignments and Notes relevant to any defaulted properties slated for foreclosure or credibly reconstruct acceptable evidentiary substitutes - labor-intensive and time consuming tasks that could substantially crimp law firm profits and lender bottom lines. Once armed with the appropriate documentation, banks can dump their non-producing properties back into the market and pick up where they left off.

However, if the falsified mortgage records were manufactured to camouflage closely guarded proprietary industry knowledge that the actual Assignments and Notes are hopelessly lost or otherwise unavailable to the lender, this could spell disaster for the banks, since they could permanently lose their standing to foreclose these properties.

The economic hornet's nest threatened by this alternative has prompted the nationwide controversy over its prospective impact. The vast majority of our economic woes are rooted in the nation's sagging real estate markets. A favorite metaphor of Bankers discussing the economic recovery - "pushing the pig through the python" - should intuitively resonate with every homeowner in Florida. Until the glut of foreclosed properties has been recycled, property values will remain depressed. Any long-term slowdown in foreclosure sales will further devastate the housing market - and the State's economy. The dominoes that could fall are capable of postponing any real estate recovery for years.

The Hit to Banks

After losing untold \$billions to defaulted toxic mortgages, banks face the prospect of also losing the substantially smaller income generated by foreclosure sales. The amount of red ink absorbed by the lenders will depend on the duration of the current foreclosure hiatus. Many of the banks that weathered the toxic loan carnation wrought by the industry's fatally compromised lending standards are barely viable. If deprived for too long of their projected income from foreclosure sales, they will fall off the grid.

Additionally, if banks cannot prove they hold mortgages on properties they could be forced to write down the loans to near zero. Even if certain loans were scrupulously maintained and kept current, without clean title, they would have to be reclassified from functional mortgages to ordinary consumer loans, which would double the bank's regulatory reserve requirement. Depending on the number of "tainted titles" in its lending portfolio, a bank could be forced to fill the resulting hole in its balance sheet with new capital.

The banks could also find themselves besieged by an army of angry investors. After pooling mortgages into a variety of high profile investment products, banks promoted them as a safer way of buying real estate. When packaging a mortgage bond for sale to investors, the offering typically includes representations that the loans were securitized and warranties that all the proper documentation had been obtained. Since forged affidavits and backdated assignments hardly fill that bill, proving bank liability for breach of warranty would be a no-brainer.

Ultimately, if the recovery value of their lending portfolios is jettisoned into a black hole, banks will be forced to squeeze the lending knot even tighter, functionally obliterating consumer credit. Only cash will grease real estate transactions.

What Happens Next?

Virtually every public official with a dog in this fight has been careful to address the issue's political and economic consequences - how to punish the systemic forgeries while avoiding a mortgage rights owner ship crisis that could stall any economic recovery for years. Ironically, the Federal and State regulators charged with addressing this dilemma need the help of the same institutions they are threatening with retribution for organizing, coordinating and rewarding the forged documentation and perjured court testimony used to fraudulently foreclose thousands of properties.

Continued on page 22

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This political paradox is complicated by the fact that the lending Banks and their mortgage servicers are answerable to different governmental authorities. While the Banks are regulated by the Feds, the states have jurisdiction over the foreclosure mills.

After describing the foreclosure freeze as "very damaging to exactly the kind of people we're trying to protect" and issuing assurances that those behind the tainted foreclosures would be held accountable, Treasury Secretary Timothy Geithner threw in the relevant caveat, "But we also want to make sure that we're not going to make the problem worse."

Similar statements by the White House, Congressional leaders and state officials across the country were exemplified by the unusual evolution of Florida A.G. Bill McCollum's media releases. After two weeks of promising retribution for the guilty, McCollum reordered his priorities, indicating that he was more concerned about salvaging the State's economy than punishing those institutions responsible for poisoning thousands of real estate transactions wherein families were illegally tossed into the street.

McCollum addressed other devastating consequences of the forged records in letters written to culpable lenders. Corresponding with Bank of America, JP Morgan Chase, GMAC, PNC Financial Group and Litton Loan Servicing about the impacts of their actions, McCollum stated, "The net effect of these actions, among other things, has been to cast a shadow on the title to these properties which is of such proportions that at least one major title company is now refusing to write title insurance on foreclosed properties. Even more disturbing is that some of these foreclosed properties have already been sold and resold, and now their titles are in question, which may substantially slow the economic recovery for the citizens of Florida."

If some accommodation isn't brokered by the Feds for the culpable lenders - and the State AGs for their mortgage servicers - the status of every effected property will have to be funneled through the courts for individual adjudication - a process that could span decades. Instead of rounding up the lawbreakers and tossing them into the clink, federal regulators and state A.G.s must first investigate the depth of the problem. The foreclosure hiatus that was announced in 40 states was implemented to give the lenders an opportunity to find the actual title records for which they substituted fraudulent affidavits.

Every Mortgage Note or Assignment they are able to retrieve will subsequently legitimize currently tainted transactions. Unfortunately, it is likely that the mortgage rights for a huge number of properties will remain under a cloud. To preclude a judicial holocaust, State and Federal regulators will have to create alternative methodologies for lenders to adequately demonstrate title ownership to a judge when foreclosing a property. To accomplish this within the legislative constraints of existing Federal Law as well as hundreds of statutes will require a level of legal gymnastics not seen since the previous Administration magically twisted the U.S. Constitution until it was somehow able to swallow the Patriot Act. If this new regulatory creation isn't carefully crafted, lenders could lay claim to our homes by standing at the front door, clicking their heels three times and uttering "There's no place like home."

As regulators and lenders desperately attempt to avoid a housing morass that could precipitate the kind of chronic deflationary spiral that first crippled the Japanese economy when its bubble burst in 1990, litigious chickens have already started coming home to roost. On October 1st, five Maine homeowners filed a class action suit against GMAC Mortgage (now Ally Financial) for filing knowingly false foreclosure certifications backed by false affidavits. The offices of Maine Attorneys Saving Homes, the National Consumer Law Center and the Center for Responsible Lending have joined local attorneys in alleging that thousands of that judicial state's homeowners lost their homes unfairly due to judgments based on false documents. On October 6th, Ohio Attorney General Richard Cordray filed a lawsuit against GMAC Mortgage on behalf of the State for hundreds of violations against Ohio's consumer laws that carry penalties of up to \$25,000 per violation. On the outer edge of this fiscal quagmire, if each of the more than 400,000 Ohio foreclosures since 2005 is adjudged to be similarly tainted, lenders could find themselves on the hook for fines totaling \$10 billion in Ohio alone.

Unfortunately, on the heels of these state efforts to balance the legal, economic, political and punitive actions appropriate to this dilemma is an army of mercenary "victims" looking for blood. On October 15th, Ohio homeowner Michael Fox brought suit against GMAC for violating the "Ohio Consumer Protection Sales Practices Act" and committing common law fraud, abuse of process and civil conspiracy when they sought to foreclose on his 22-acre horse farm in Johnstown, Ohio. The complaint states that GMAC and Jeffrey Stephan, whose signature on the January 26, 2009 foreclosure assignment was among the 10,000 documents per month he testified to blindly signing, either knew or should have known that hundreds of the tainted records "would be filed in Ohio courts and relied upon by Ohio common pleas court judges in deciding whether one plaintiff in the particular case had a right to foreclose on Ohio residents." Fox is asking for \$25,000 in compensatory damages, a \$25,000 civil penalty and punitive damages that his attorney estimated as roughly "2 percent of GMAC's 2009 gross revenue."

What Does this Mean to Homes on the Galt Mile?

When the hiatus began, the Broward housing inventory was precipitously reduced by the sizable number of foreclosures that were shuffled into limbo. Ordinarily, the smaller inventory would have driven up prices, firming up the sagging market. Since most buyers are neither stupid nor insane, instead of bidding into a strengthened market for possibly tainted properties, many simply decided to wait until federal and state regulators could insure delivery of uncontested titles.

On October 20, the corporate kingpins in Bank of America, GMAC and Citibank publicly absolved themselves of conspiring with duplicitous mortgage servicers and dumped their foreclosures back into the market after expressing confidence in the legal validity of their current and past foreclosure procedures. Not surprisingly, the subsequently swelled housing inventory and bludgeoned unit values didn't spark a recapture of the momentum lost when the foreclosures were pulled.

When these lenders got caught with their pants down, waves of uncertainty were injected into the housing market. Leery buyers are understandably hesitant to risk their investment capital on self-serving assurances made by banks currently under investigation by the top prosecutors in 40 states—for systemic fraud. When regulators draft a foreclosure roadmap capable of expediting turnover without defrauding homeowners, the backlog of buyers should help kickoff "pushing the pig through the python" and reboot the economic recovery. Until then, the real estate industry will have to slowly recover from its current state of cryogenic suspension—not unlike Walt Disney. •

"But we also want to make sure that we're not going to make the problem worse."



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Recycling the holidays

After the holidays, houses are littered with piles of crumpled wrapping paper, holiday cards, pine needles and boxes of pesky foam packaging peanuts. The following recycling tips will help simplify post-holiday cleanup, so you can start the new year with a clean house (and a green conscience):

1. Many The UPS Store locations accept clean foam packaging peanuts for reuse. Visit www.loosefillpackaging.com for more information on peanut recycling.
2. Reuse wrapping paper, bows, ribbons, tissue paper and gift bags. Those you can't reuse, recycle.
3. Save greeting cards and cut them up to use as gift tags next year.
4. After the holidays, put your tree to good use—chip it to use as mulch around shrubs and flower beds. You can also check for local recycling options, drop-off locations or pickup dates.

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