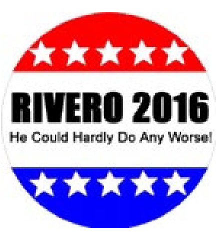

ANNOUNCEMENT: Thanks for all the support.

One way or the other I will be back on the air by Thanksgiving, even if I have to start my own network!

THOUGHT FOR THE DAY!

"He has combined with others to subject us to a jurisdiction foreign to our constitution, and unacknowledged by our laws; giving his Assent to their Acts of pretended Legislation::

YOUR RANDOM DHS MONITORED PHRASE OF THE DAY

redheads

BANKERS GONE WILD - HOW THE US GOVERNMENT HELPED WALL STREET GANG-RAPE AMERICA'S MIDDLE CLASS (AND MOST OF EUROPE)

BANKERS GONE WILD!

By Michael Rivero

TORTURE SCANDAL

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A PRIMER ON HOW WALL STREET PULLED OFF THE GREATEST MORTGAGE INVESTMENT SWINDLE IN HISTORY WITH THE ASSISTANCE OF THE US GOVERNMENT!

by Michael Rivero

BREAKING: 11-09-10 GREENSPAN ADMITS ON VIDEO FRAUD AND CRIMINALITY IN US BANKING SYSTEM!

1. SOME HISTORY

This story begins back before the United States was the United States.

The original thirteen colonies printed their own currency, and it worked very well at empowering commerce and turning the young America into a powerful growing economy, free of the poverty and unemployment that even then crippled London. The public currency was operated as a public utility. But the bankers of Europe, long used to private banks issuing the public currencies as loans at interest, were horrified by the American approach and saw it as a threat to their deeply cherished religious belief that the gods intended for the bankers to have all the wealth of the world. So, the Bank of England lobbied King George III to impose the Currency Act on the colonies, which forbade the colonies to use their own money and required them to borrow their lawful tender from the Bank of England, at interest. This was the public currency as a private for-profit operation.

It took only a few years for this scheme to reduce the formerly prosperous and productive colonies down to the poverty and unemployment typical of London at the same time period, as depicted in the literature of Charles Dickens, among others.

While the state-run American schools teach that the revolution was about the Stamp act and the Tea tax, it was primarily the rage created by the enforced impoverishment of the Currency Act which fueled the rebellion. Why the Currency Act is not mentioned in the public schools will become apparent further on.

2. THE ORIGINAL AMERICAN ECONOMY

Following the American Revolution, the Founding Fathers reverted back to the system which had worked so well before the Currency Act.

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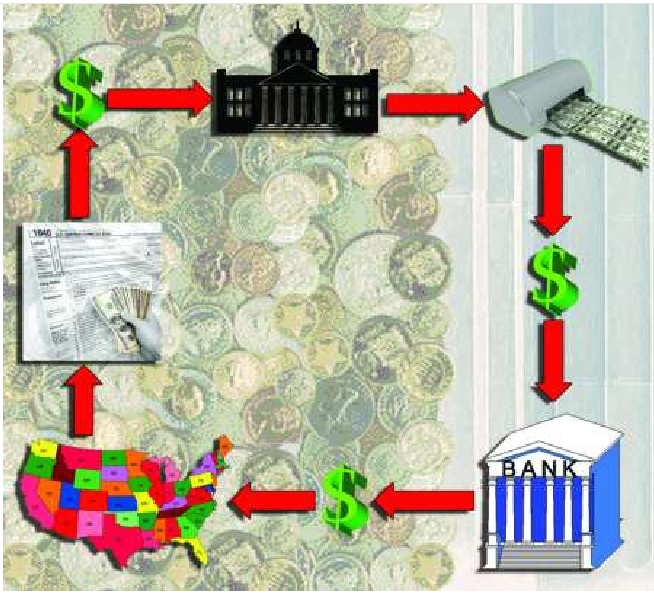
- WHITE HOUSE
- WMD



As the above diagram shows, the Founding Fathers of this nation set up a simple economic system that did not rely on a private central bank. Government issued the public currency and spent it into circulation where it was used by the public free of interest. Then the money was taxed back into the government's hands, then to be re-spent back into circulation. For each fiscal year the money issued equaled the money collected. Nothing was lost. The dollar was based on a weight measure of silver, which meant the value of a dollar was fixed and not subject to the whims of government or bankers.

3. THE FIRST BANK OF THE UNITED STATES

This is a system which has worked very well for the civil population throughout history. It made the new nation immediately prosperous. This alarmed the European banking clans, which feared the American inspiration might spread to other nations (as it did to France in 1793). Where Britain's military might failed, politics succeeded and spurred on by Alexander Hamilton, the first Bank of the United States was granted a 20 year charter in 1791. Almost immediately, the spiraling debt in the government budget, championed as necessary for international commerce by Hamilton, began to drain the livelihood of ordinary Americans. The furor over the debt was one of many issues that led to the famous duel between Hamilton and Aaron Burr which resulted in Hamilton's death on July 11, 1804. As a side note, the pistols which were used in the duel are today in the possession of J. P. Morgan Chase & Co. Hamilton continues to be lionized by the private banking cartels he championed.

> *"Everything predicted by the enemies of banks, in the beginning, is now coming to pass. We are to be ruined now by the deluge of bank paper. It is cruel that such revolutions in private fortunes should be at the mercy of avaricious adventurers, who, instead of employing their capital, if any they have, in manufactures, commerce, and other useful pursuits, make it an instrument to burden all the interchanges of property with their swindling profits, profits which are the price of no useful industry of theirs." --Thomas Jefferson*

By 1811, the owners of the First Bank of the United States had become rich while ruining the lives of ordinary Americans. Congress had prudently limited the charter of the bank to 20 years and it expired in 1811. A move to re-charter the bank failed due to public opposition.

> *"The Bank of the United States is one of the most deadly hostilities existing, against the principles and form of our Constitution. An institution like this, penetrating by its branches every part of the Union, acting by command and in phalanx, may, in a critical moment, upset the government. I deem no government safe which is under the vassalage of any self-constituted authorities, or any other authority than that of the nation, or its regular functionaries. What an obstruction could not this bank of the United States, with all its branch banks, be in time of war! It might dictate to us the peace we should accept, or withdraw its aids. Ought we then to give further growth to an institution so powerful, so hostile?" --Thomas Jefferson*

4. THE WAR OF 1812

The following year, with the conclusion of Britain's wars with Napoleon, the Bank of England demanded King George re-invade the United States to force them back into the clutches of private central banking, this time with the Bank of England. Thus was initiated the war of 1812, a war like any other war; created and waged for profit.

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5. THE SECOND BANK OF THE UNITED STATES

The war of 1812 failed, and again political and monetary pressure succeeded where military force had failed, and in 1816, President Madison chartered a Second Bank of the United States, in part to deal with the expenses created defending the nation from Britain a second time and the runaway inflation caused by private banks issuing their own banknotes without restraint. Like the First Bank of the United States, the second one was granted a 20 year charter. By the time the charter was due to expire, the nation was once again struggling with debt and poverty while the bankers were growing richer every day.

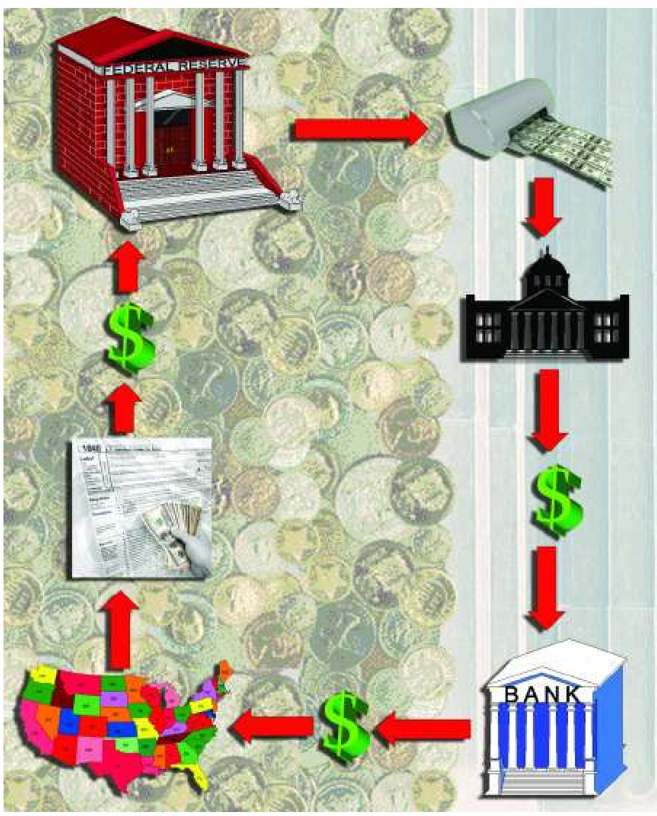
As a result, Andrew Jackson opposed the renewal of the bank charter and made it a major platform of his campaign in 1832.

> *"Gentlemen, I have had men watching you for a long time and I am convinced that you have used the funds of the bank to speculate in the breadstuffs of the country. When you won, you divided the profits amongst you, and when you lost, you charged it to the bank. You tell me that if I take the deposits from the bank and annul its charter, I shall ruin ten thousand families. That may be true, gentlemen, but that is your sin! Should I let you go on, you will ruin fifty thousand families, and that would be my sin! You are a den of vipers and thieves. I intend to rout you out, and by the Eternal God, I will rout you out." -- Andrew Jackson*

In 1835, an unemployed painter, Richard Lawrence, attempted to shoot President Jackson twice, with both pistols failing to fire. Lawrence gave as his reason for the attack that with the President dead, money would be more plentiful, an obvious reference to Jackson's veto of the re-chartering of the Second Bank of the United States. As a footnote, following the loss of its charter, the Second Bank of the United States attempted to continue as an ordinary bank, but went bankrupt in 1841.

6. THE PRIVATE CENTRAL BANK ECONOMY

The following diagram shows the principle difference with the central bank system as opposed to the original economic system of the United States.



As you can see, the main difference between the economic system created by the Founding Fathers and the current system is that the control of the printing presses has been given over to the private central bank. The government no longer prints up and spends the money it needs to operate, but BORROWS the money from the private central bank, at interest! Then the money is spent into circulation and winds its way through the population, and is then collected back in taxes. But here is the problem. Taxes now have to collect back MORE money than the government spent in order to pay the interest back to the private central bank. Over time, relentlessly, the private central bank is acquiring wealth from the population, in essence charging the people a fee for doing what the government itself originally did for free. That is the major difference between the economic system created by the nation's founders (the reason we fought a war to be free of the Bank of England) and the system we have today.

It is because we have been sold back into the debt slavery of a private central bank that the history of the Currency Act and its impact on the American Revolution is marginalized in the state-controlled schools. We are brainwashed into believing that the Revolution was about soggy tea!

> *"If the debt which the banking companies owe be a blessing to anybody, it is to themselves alone, who are realizing a solid interest of eight or ten per cent on it. As to the public, these companies have banished all our gold and silver medium, which, before their institution, we had without interest, which never could have perished in our hands, and would have been our salvation now in the hour of war; instead of which they have given us two hundred million of froth and bubble, on which we are to pay them heavy interest, until it shall vanish into air... We are warranted, then, in affirming that this parody on the principle of 'a public debt being a public blessing,' and its mutation into the blessing of private instead of public debts, is as ridiculous as the original principle itself. In both cases, the truth is, that capital may be produced by industry, and accumulated by economy; but jugglers only will propose to create it by legerdemain tricks with paper."*
> *--Thomas Jefferson*

7. SILVER MONEY VERSUS PAPER MONEY

But the banks were still constrained by the Coinage Act of 1792, which defined a dollar as 371.25 grains of pure silver, matching the common silver currency in use around the world at the time, or that weight of gold which would match in value 371.25 grains of pure silver, 24.75 grains, 1/15 the weight of the silver in a silver dollar.

	
US Silver Dollar	US Gold Dollar (same scale)

It wasn't the coin that was the money, but the metal the coin contained.

Of course, carrying around large amounts of silver was difficult, so paper certificates were issued, both silver and gold certificate, as a convenience. But those paper certificates were not the money. They were claim checks. They were accepted as items of value because you could walk down to the banks and turn the claim checks in for the appropriate amount of silver or gold. But the metal was the money, not the engraved coins and not the paper.

The bankers could only loan out as much money, based on silver or gold, as they had the silver and gold to cover in their vaults. The adherence to gold and silver as a unit of value was a major limitation on the bankers' activities.

8. CIVIL WAR AND LINCOLN'S GREENBACK

Then in 1861, the Confederacy broke free of the United States. Abraham Lincoln sought financing from the bankers for the war effort, but balked at the usurious high interest rates the banks demanded. Declaring that he would not enslave the white people to the bankers to free the black people, Abraham Lincoln exercised his Presidential Authority to issue a new government currency; the greenback.

However in order to make the currency work and to cover the escalating costs of the War, Lincoln was forced to abandon convertibility, meaning that the paper notes became the money and were not convertible to silver or gold (despite the flood of silver from the Comstock strike of 1857, which eventually led to Nevada's rapid statehood and Federal taxation in 1864). While there was inflation at the time, the government-issued currency, free of interest to a private bank, worked well during the war years, and Abraham Lincoln declared his intention to keep issuing the Greenbacks after the war's conclusion. This did not please the world's bankers at all.

An 1865 London Times editorial directed against Lincoln's debt-free Greenbacks said it all:

> *"If that mischievous financial policy which had its origin in the North American Republic during the late war in that country, should become indurated down to a fixture, then that Government will furnish its own money without cost. It will pay off its debts and be without debt. It will become prosperous beyond precedent in the history of the civilized governments of the world. The brains and wealth of all countries will go to North America. That government must be destroyed or it will destroy every monarchy on the globe."*

Following Abraham Lincoln's assassination, Congress voted to end the Greenbacks, but did not restore convertibility. Banks could issue notes without regard to actual bullion reserves and a period of intense post-war inflation and speculation resulted.

THE BANKERS MANIFESTO

Congressman Charles A. Lindbergh, Sr. revealed the Bankers Manifesto of 1892 to the U.S. Congress somewhere between 1907 and 1917. The source was an article written by Louis Even and published in United States Bankers Magazine 1892.

> *We (the bankers) must proceed with caution and guard every move made, for* ***the lower order of people are already showing signs of restless commotion****. Prudence will therefore show a policy of apparently yielding to the popular will until our plans are so far consummated that* ***we can declare our designs without fear of any organized resistance.***
>
> ***Organizations in the United States should be carefully watched by our trusted men, and we must take immediate steps to control these organizations in our interest or disrupt them.***
>
> *At the coming Omaha convention to be held July 4, 1892, our men must attend and direct its movement or else there will be set on foot such antagonism to our designs as may require force to overcome.*
>
> *This at the present time would be premature. We are not yet ready for such a crisis.* ***Capital must protect itself in every possible manner through combination (conspiracy) and legislation.***
>
> ***The courts must be called to our aid, debts must be collected, bonds and mortgages foreclosed as rapidly as possible.***
>
> ***When, through the process of law, the common people have lost their homes, they will be more tractable and easily governed through the influence of the strong arm of the government applied to a central power***

> ***of imperial wealth under the control of the leading financiers.***
>
> ***People without homes will not quarrel with their leaders. History repeats itself in regular cycles.*** *This truth is well known among our principal men who are engaged in forming an imperialism of the world. While they are doing this, the people must be kept in a state of political antagonism.*
>
> *The question of tariff reform must be urged through the organization known as the Democratic Party, and the question of protection with the reciprocity must be forced to view through the Republican Party.*
>
> ***By thus dividing voters, we can get them to expend their energies in fighting over questions of no importance to us****, except as teachers to the common herd. Thus, by discrete actions, we can secure all that has been so generously planned and successfully accomplished.*

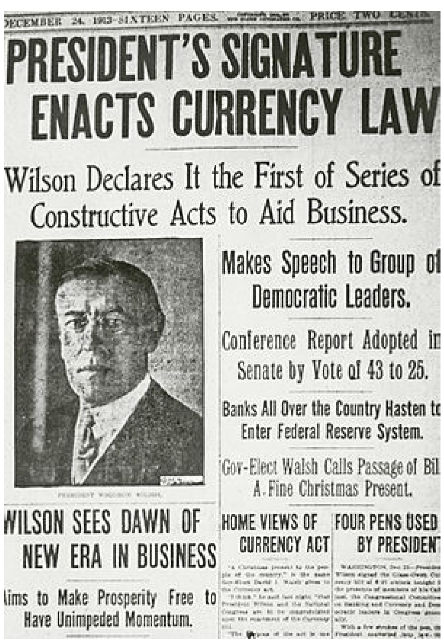
9. THE GOLD STANDARD

In 1900 President McKinley kept a campaign promise to bring back convertibility by signing the Gold Standard Act, making the Gold Standard the basis for all US currency, even though much of the coinage issued remained silver. McKinley did this because of the public perception that the US Banking system was weak and corrupted, and because the gold strikes in California, Alaska, and Colorado bolstered the US Treasury's stock of that metal.

One year later, President McKinley was assassinated by Leon Czolosz, who explained his attack at his execution saying,"I killed the President because he was the enemy of the good people – the good working people."

10. THE FEDERAL RESERVE

In 1910, a group of private bankers met at a private island named Jekyll Island to plan the imposition of yet another private central bank on the people of the United States. As part of the ruse, they abandoned the unpopular name "Bank of the United States" and chose the name Federal Reserve to grant themselves the illusion that this was a government agency, when in point of fact it is just another privately owned central bank. Pretenses to the contrary notwithstanding, the Federal Reserve is no more "Federal" than Federal Express. It is a privately owned bank. Three years later, in 1913, Congress voted the Federal Reserve act and President Wilson signed it, redeeming a campaign promise to his financial backers. Six years later, as his Presidency came to a close, Woodrow Wilson wrote.



DECEMBER 24, 1913—SIXTEEN PAGES. PRICE TWO CEN

PRESIDENT'S SIGNATURE ENACTS CURRENCY LAW

Wilson Declares It the First of Series of Constructive Acts to Aid Business.

Makes Speech to Group of Democratic Leaders.

Conference Report Adopted in Senate by Vote of 43 to 25.

Banks All Over the Country Hasten to Enter Federal Reserve System.

Gov-Elect Walsh Calls Passage of Bill A Fine Christmas Present.

WILSON SEES DAWN OF NEW ERA IN BUSINESS

Aims to Make Prosperity Free to Have Unimpeded Momentum.

HOME VIEWS OF CURRENCY ACT

FOUR PENS USED BY PRESIDENT

> *"I am a most unhappy man. I have unwittingly ruined my country. A great industrial nation is now controlled by its system of credit.We are no longer a government by free opinion, no longer a government by conviction and the vote of the majority, but a government by the opinion and duress of a small group of dominant men." -- Woodrow Wilson 1919*

Because of the earlier disasters with 20 year charters, the Federal Reserve was granted a 100 year charter due to expire in 2013. A later Congress amended the Federal Reserve act to make the charter permanent.

11. THE CRASH OF 1929

For a while, the new Federal Reserve was still bound by the requirements of the Gold Standard. Under the law, they were required to have enough gold on hand to redeem 40% of the paper notes they had issued. The Federal Reserve claimed that this requirement limited their ability to deal with the financial crash of 1929, and after years of lobbying, finally persuaded incoming President Franklin Roosevelt to abandon the gold standard entirely in 1933 and to confiscate all gold and gold certificates in order to make the gold available to the US Government for war funding purposes.

In looking back at the crash of 1929 it became obvious that reckless speculation had created the over-valued market bubble, while easy credit for buying stocks on margin drew in working-class people; people who did not have risk capital to play with, to form each succeeding layer of a rapidly-building pyramid doomed to eventual collapse. In the wake of the melt-down, Congress passed the Banking Act of 1933, otherwise known as the Glass-Steagall Act, which created the FDIC to restore public confidence in the banks and stop the runs. Glass-Steagall also included a ban on bank holding companies from owning other financial institutions, which was seen as a major contributing factor to the reckless speculation which precipitated the crash.

12. JOHN F. KENNEDY

The Federal Reserve completed their plan for the economic subjugation of the American people in 1964, one year after the assassination of President John F. Kennedy. Silver coin and certificates were still in general use; money that came from the government and was used free of interest. Since the money was something of value and owned by whoever held it, the banks made no profit off of the use of that money and more to the point, could not manipulate its value.

Then President John F. Kennedy signed Executive Order 11110 on June 4th, 1963. This order authorized the Treasury to issue a new government currency, the US Note, based on silver in Fort Knox, recycled from the huge magnets used in early Uranium enrichment at Oak Ridge. This allowed the Kennedy administration to purchase four billion dollars worth of goods and services without having to borrow the money from the Federal Reserve, and signaled Kennedy's intention to restore the nations' economic system to the model used by the Founding Fathers.

John F. Kennedy's United States Note.

Five months later, John Kennedy was assassinated and his US Notes withdrawn from circulation. The Warren Commission, now widely acknowledged to have been a cover-up, included as a member John J. McCloy, President of Chase Manhattan Bank and President of the World Bank.

13. THE END OF SILVER MONEY.

The following year, all silver coins and silver certificates were withdrawn from circulation. The media proclaimed the new clad coinage and the Federal Reserve Notes to be just as good as the silver money, and the entrapment of the American people was complete. From then on, all currency in circulation was worth what the private central bank said it was worth, and over time, it has been declared worth less and less. Just see how many "dollar" notes it takes to buy an original US Silver Dollar today!

14. THE TRAP OF THE FEDERAL RESERVE

Unlike the economic system of value instituted by the Founding Fathers, the Federal Reserve System is a debt-based economy. All money, whether issued through the government, or by member banks to the public, is the result of a loan from that Private Central Bank. And therein lies the trap, because the moment that first Federal Reserve Note went into circulation, *more money is owed to the banking system than actually exists!* The debt can never be paid off.

The system perpetuates only so long as an ever-larger group of new borrowers can be found to create new money to pay the interest on the old money. That is what makes it a pyramid. More money is created out of thin air in response to a loan, but the total debt still exceeds the total money supply. That is why the government and media always talk about the “growth” of the economy. “Growth” may sound like a good thing to the unenlightened, but in a debt-based economy, “growth” means “nation and its people deeper in debt-slavery". And because it is a pyramid, if the economy does not grow, that is, if more new debt cannot be created to service the interest on the old debt, the pyramid collapses, which is what is happening now.

The Federal Reserve System is designed to suck the real wealth out of the nation and put it in the pockets of the bankers, and now that they have succeeded, the system is breaking down, too cash-poor to operate efficiently, just as it did in the colonies in the early 1770s under the Bank of England. The system is broken because the bankers have all the wealth, and absent a new source of wealth to pay the bankers' interest charges and fees, the system is locking up.

Of course, it is all paper debts and make-believe obligations. The money owed to the bankers by the government never existed in the first place. It's just part of the scam by which the bankers enslave the world, which is the real essence of banking; to hold nations and people perpetually in debt-servitude or indentured service, with the government bribed to not take action to ameliorate the situation!

"This is the very essence of the banking industry; to make us all, whether we be nations or individuals, slaves to debt!"

15. DEREGULATION AS THE DOORWAY TO DISASTER

In 1999, the Gramm-Leach-Blily repealed the provision of the Glass-Steagall act that prohibited bank holding companies from owning other financial institutions, and dropped the barrier that separated banks and investment houses, allowing them to engage in each others business. This created a repeat of the exact same financial environment that had led to the crash of 1929. Those politicians who had championed deregulation, like Senator John McCain (a veteran of the Keating S&L Scandal of the 1980s), avoided keeping any oversight over the recently unchained financial system to ensure that past crimes were not being repeated. As a result, almost immediately after the repeal of Glass-Steagall, the banks and investment houses began to acquire and "flip" homes, to drive the prices up.

The reason for the flipping should be obvious. Banks make their money off of interest on loans. The more people are forced to borrow, the more they have to work to pay the banks back. From a bank's point of view, a house that sells for only a few thousand dollars is useless. The ideal is that same house costing so much that a borrower will spend 30 years working off that paper debt, often paying the banks many times more in interest than the house itself originally cost.

From 1999 through 2006 housing prices soared. Adjustable-rate mortgages became the norm, with low lead-in teaser rates to draw in new borrowers. Aiding the process was the US Government itself, which baited the trap with an $8000 tax credit for first-time home buyers.

16. MORTGAGES AS INVESTMENT DEVICES

Let us start by looking at how Mortgage companies worked up into the mid 2000s.

Click for larger image

In a normal mortgage, the lender, who is a member bank of the Federal Reserve system, prints up a bunch of cash (or enters the amount of the loan into a computerized bank account) to loan to the mortgage applicant. This is not a joke; the money the bank hands to you to buy a house, or car, or iPod, is created out of thin air the moment you sign the loan agreement, credit card slip, or mortgage papers.

Admit it; you thought the money for loans came from the bank's depositors, didn't you! Because after all, that's what you were taught in the state-controlled schools as a child! And they would never lie to you, would they?

> *"If the people understood the rank injustice of our money and banking system, there would be a revolution before morning" -- President Andrew Jackson*

The mortgage lender, who is allowed to print up the money they loan out (up to a legally defined limit), makes their profit from the borrower, who is *not* allowed to print up the money he or she hands back to the bank, but must trade their labor for money with which to pay the banker. Because of compound interest, the mortgage borrower actually repays the banker many times the original cost of the home!

Let us say that you take out a $100,000 mortgage over 30 years at 8% interest. That works out to $733.76 per month, which does not seem too bad (until you start adding in insurance and property taxes, but that is another story). $733.76 per month is $8,805.12 per year. Over 30 years that comes out to $264,153.60 paid out to the banker! In other words, while the builder of the house earns $100,000 after buying the land. buying materials. and building the house, the banker earns $164,153.60 purely for having the right, granted by the US Government, to run a printing press! If you or I created money the same way, we would be thrown in jail for counterfeiting!

Remember that from an investor's point of view, the value of a home is not the home itself, but the *debt the home creates and shackled the homeowner to, worth many times the cost of the actual house!* That debt, which is pure profit, is sold to Americans as the "American Dream"; to work 30 years to pay the bankers many times what the house actually cost! (Some dream). Fortunes were being made and the politicians were neck deep in the greed.

But there was a new wrinkle.

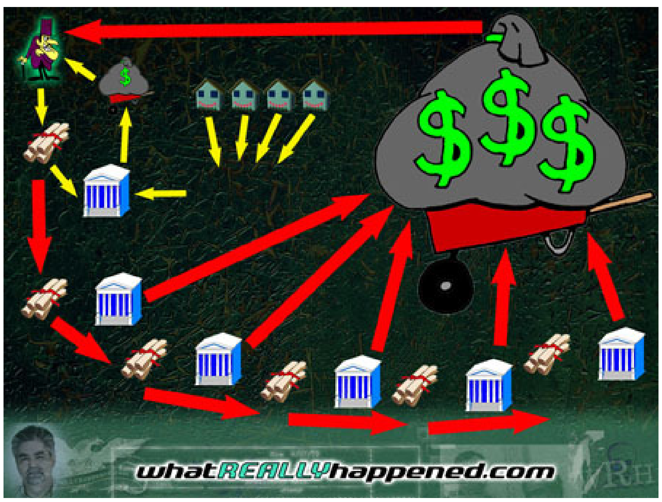
Click for larger image

Starting in 2006, Wall Street operators got the ideas of taking debt obligations, and collecting them together to sell to other investors. The mortgage lenders would take their mortgages and "bundle" them, then sell the entire bundle for a flat fee. The advantage was that the mortgage lender recovered his money in a single large lump, while the investor buying the bundled mortgages would accept their return on investment over the lifetime of the mortgages. For long-term investors such as investment banks and pension funds, this was an ideal investment so long as all the mortgages were paid on time every month. The investment looked sound as long as real-estate prices kept soaring, and nobody was taking too close a look at the individual mortgages. Because the banks and mortgage companies were passing the mortgages onto outside parties, there was little incentive to look too closely at the borrowers, while financial incentives encouraged the mortgage writers to over-inflate earnings and home values on the applications to push the deals through.

The mortgage bundlers, drunk on the instant profits falling like manna from heaven, started taking some reckless steps. Mortgage analysis companies like Clayton Holdings were reporting to the clients at the big banks that many of the so-called sub prime mortgages did not meet basic underwriting requirements, either for the private banks or for the three "F"s, Fannie Mae, Freddie Mac, and FHA. But the mortgage bundlers blended the sub prime with prime mortgages and sold off the bundles as "Mortgage Backed Securities" or "Collateralized Debt Obligations". In other words, the mortgage bundlers *knew* many of the mortgages in those bundles were not going to perform well, but did not tell the investors who bought them, then invested in "derivatives", basically betting those MBS and CDOs would fail!

17. IT ISN'T THE FORECLOSURES, IT'S THE FRAUD!

> *"I suddenly realized I had joined the wrong mob." -- Lucky Luciano, comparing Wall Street to the Mafia*



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The problem is that some of the mortgage bundlers were greedy! They needed more mortgages to feed the giant mortgage-backed-security bubble they were inflating. So they started luring in borrowers with borderline credit into "sub-prime" mortgages. Since members of the US Congress were invested in the very companies that were reaping giant profits on those mortgage-backed-securities, Congress voted through an $8000 tax credit for first-time home buyers to bait them into the scheme! But still there were not enough new mortgages. Investors were clamoring for more mortgage-backed-securities to buy. Then the bankers had an inspiration. They realized that while you can only sell a house to one owner at a time, you can in theory sell the mortgage over and over, since it is a piece of easily copied paper or more likely a computer record in MERS, the Mortgage Electronic Registration System, a computer system created to evade title transfer fees and to speed up the churning of the mortgages as they shuffled from one investment company to another! MERS initially helped conceal the over-selling of mortgages, but eventually the scam became known, and numerous major banks have been exposed for selling the same mortgage into multiple mortgage-backed securities, generating vast profits for the bundlers.

Now, from the point of view of the mortgage bundlers, they might not have seen this as a fraud. Nobody wants to see themselves as a villain, and the bundlers may have decided they were simply following the reserve system of banking to the next level.

Under the reserve system of banking, for every real dollar in deposits you have in the vaults, you can create and loan out 8, or 10, or 30, depending on the current reserve requirement imposed by the top bank, the Federal Reserve System. The mortgage bundlers may have decided that for every real mortgage they held, they could create 3, or 4 , or in one case 20 out of thin air with which to collateralize the investment package. As long as everyone does not come in to get the actual mortgages at the same time, the system would work the way the reserve money supply does in the banks, in which only enough real money is on hand to cover expected transactions with customers, and the rest for the bankers to play with out in investment land.

While this "reserve" approach to mortgages may have looked okay to the bankers, who saw the world through money-colored glasses, it is in fact a crime! In February 2009 CNBC broke the story that many of the mortgage bundlers had pledged individual mortgages as collateral over and over into different CDOs, when legally, they can be pledged as collateral only once.

Chris Whalen tells CNBC's Larry Kudlow that Bear Stearns will be exposed as having sold the same loan to different investors on numerous occasions.

This is why many homes are being foreclosed on by more than one bank at a time.

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But there is another problem with over-selling mortgages. For every copy of a mortgage bundled into an investment, there is an investor expecting a mortgage payment every month. Obviously the home buyer, who has signed only one mortgage, is making only one mortgage payment. For the extra copies of that mortgage there are no monthly payments coming in. As long as only a few mortgages in the bundle are underperforming, nobody noticed, but as the jobs left America and more and more home buyers started to fall behind, the risk that the over-selling scheme would be exposed to public scrutiny and condemnation (not to mention arrest and prosecution) began to be apparent!

18. MERS

Because mortgages were changing hands so many times, the regulatory fees for a transfer became a major cost factor for the mortgage bundlers. To get around the fees and generally speed up the process, a system was created called the Mortgage Electronic Registration System, or MERS. All notes were transferred into MERS legal ownership and then could be assigned and reassigned willy-nilly all over the financial system without the usual paperwork and fees.

By mid 2008 the wheels were starting to come off the boom times. The automatic interest rate increases on those adjustable-rate mortgages started kicking in, and due to the high prime-rate at the time, those increases in monthly payments were enormous, with no increases in salaries and wages to cover them! The US Government, at the same time it had taken the chains off of Wall Street had continued a policy of tax credits that encouraged American corporations to offshore high-paying manufacturing jobs. Caught between a rock and a hard place, between higher mortgage payments and declining wages and salaries, Americans started defaulting and the banks started foreclosing.

19. THE MELT-DOWN

And here is where the system began to really break down. Because the mortgages and titles had been traded around in the creation of the mortgage-backed securities, the companies servicing the mortgages (i.e. collecting the payments) could not locate the actual mortgage note. In the cases where the same mortgage had been pledged as collateral on more than one mortgage-backed security, the paperwork trail led to more than one owner-of-record.

By the end of the year, it had become apparent that a massive fraud had been committed by the mortgage bundlers, and that a great many of the mortgage-backed securities held by investors and pension funds were in fact without collateral. While the mortgages were being paid and returns on the investment paid, nobody noticed. But as homes started to default it became apparent that investors did not in fact have any collateral behind most of those collateralized debt obligations! Lawsuits followed by investors trying to recover money from the banks. In a telling move, the US Government has moved to protect the banks!

Click for larger image

20. TARP AND THE BAILOUTS

Those mortgage-backed securities with multiply-assigned mortgages ARE the "Toxic Assets" Congress was screaming about when they forced the Troubled Asset Relief Program through Congress in the fall of 2008, despite overwhelming public opposition. The mortgage bundlers had stuck key financial institutions with fraudulent mortgage-backed securities, and Congress voted to loot the public to purchase the useless paper and hide it from public scrutiny. Why? Because the members of the US Congress had their own fortunes invested in those fraudulent mortgage-backed securities. Had the institutions collapsed, members of Congress would have been ruined as well. So they saved their own investments by dropping the losses on the American people!

This is why, even though the public opposed TARP, members of Congress were so happy when the bill finally was forced through the Congress.

Commercial real estate was caught up in the mortgage-backed securities mania, and eventually the US Government used $3 trillion in taxpayer funds to deal with that growing catastrophe! (Total losses to the American people from the collapse of the Mortgage-Backed Securities fraud are now estimated at $47 trillion.)

In other cases, the Federal Government has been exposed as intentionally concealing the scale of the losses from the American taxpayer, even to the point of hiding billions in bailout payments, further fueling speculation that the major "Too Big To Fail" banks have indeed already failed and are technically insolvent.

We are not talking about a few crooked bankers, but a system-wide culture of criminality that makes Bernie Madoff-with-the-loot, the NASDAQ founder who swindled his own investors for $65 billion, look like a choir boy!

This brings us to the interesting sidebar of John McCain's candidacy for President. All seemed to be going well for him until in a move that surprised many political observes, McCain chose as his Vice President Alaska Governor Sarah Palin. McCain's claim that he needed a female Vice President seemed reasonable, but there were far more qualified women out there such as Hawaii's Governor Linda Lingle, who was not even contacted by McCain's campaign. In hindsight, it almost seemed McCain was intentionally destroying the credibility of his own campaign, and now a possible motive surfaces. If it was already known that the mortgage-back securities had become toxic assets, and that the taxpayer was going to be made to foot the bill, what better plan for the Republicans that had created the mess to drop the task of screwing the American people onto the Democrats, including a man willing to do *anything* to be America's first black President! And it appears to have worked as the same Republicans that created this financial mess appear poised for a 2016 return to control of the White House.

21. FORECLOSURE-GATE

But while the US Government using taxpayer money was buying back the fraudulent uncollateralized mortgage bundles, the holders of the genuine mortgages were still faced with a problem. The trail of documents through MERS was a hopeless rats' nest! Mortgage Service companies were forced to go into court without all the required documents, and judges, failing to see the actual debt note or title before them,. were starting to throw foreclosure cases out! Representative Marcy Kaput got up in Congress advising homeowners to demand the foreclosers to prove they owned the actual loan!

So a new creature came into being, the "Foreclosure Document Mill", small start-up companies which for a fee would "re-create" missing paperwork to allow the foreclosures to pass a judge's scrutiny. But the foreclosure mills were also faced with the confusion in the MERS system and under pressure to perform, were hiring virtually anybody willing to engage in a little "gray" paperwork, hiring Wall Mart floor walkers, former beauticians, factory workers, and putting them in offices with no formal training to process foreclosure paperwork. According to one whistle blower, workers who produced large amounts of "re-created" documents were rewarded with cars and jewelry! Computerized processing systems cranked out foreclosure lawsuit paperwork by the reams!

The problem was that nobody was checking to see if the documents were actually correct or accurate, or if the people being foreclosed were actually behind in their payments.Even worse, lawyers were walking into court with foreclosure documents they knew were forged! The rush was on to file as quickly as possible ahead of the expected backlog of cases hitting the courts. In at least two known cases, foreclosure proceedings were started against home owners who did not even have mortgages! Companies that contracted to serve the legal papers on the homeowners never delivered those papers and many people were unaware they had been foreclosed on until the Sheriff showed up to change the locks!

22. INTENTIONAL FRAUD

The corporate media is still trying to say this is all a bunch of simple errors for which nobody should be held accountable, but already testimony is surfacing that major banks like Citicorp knew exactly what they were doing and that very well the investments they were selling at huge profit were really junk!

MERS itself has come under scrutiny, both because it is clearly a device to evade government fees and regulation, and secondly because no legislative body approved its creation and implementation into the home mortgage system. There has been no review of the system by any outside party.

That massive fraud did take place is beyond doubt, and the US Government in connivance with the bankers, conspired both to conceal the true nature of the cause of the economic crash and to dump trillions in dollars in losses on the American taxpayer. And behind it all remains the core problem that lenders and home-owners often do not know where the notes and titles are to be found!

But with individual mortgages being sold out as many as 20 different times, the mortgage bundlers faced a huge problem. Every home payment made has to be repaid to the investor in the MBS for every time that mortgage was resold, that is to say for every dollar paid by the home-owner, the mortgage bundler is on the hook for up to $20 owed to the holders of the mortgage backed securities. In that context, the banks have a huge motive to foreclose on homes to limit the losses on those oversubscribed mortgage backed securities! Once the home is foreclosed, payments on those over-subscribed mortgage backed securities stop and the criminals who over-sold those mortgages are off the hook. It is not unlike the Mel Brooks movie "The Producers" in which the producers intentionally choose what they think is a terrible script, "Springtime for Hitler", which they hope will close the first night. The producers then over-subscribe the investment in the play by 1000%. 100% is spent producing the show, with the other 900% to be pocketed after the show fails and the investors, unaware of the extra shares in the show, accept their losses and leave.

In the film, the play is a surprise hit and the producers go to jail. Hopefully, the same thing will happen to the financial companies who played the same game. If the over-selling of mortgages into mortgage backed securities was intentional, and given how many different financial companies did it, this seems certain, then the same financial institutions that profited from the selling of mortgage backed securities *intended* to crash the housing market to cover their escape. They took mortgages and sold them as mortgage-backed securities over and over again, then foreclosed the properties to end their obligations to the over-subscribed mortgage backed securities. This is why nobody cared whether home buyers were actually qualified for the mortgages, as the mortgages were never intended to be repaid, only foreclosed on!

However, the investors and especially the foreign banks that bought those over-subscribed mortgage-backed-securities are not quietly accepting their losses! Bank of America is being sued by PIMCO, the New York Fed, and several European banks. Two class-action suits have been filed against the owners of MERS. Sooner or later the fraudulent over-selling of those bundled mortgages must come out. And the bankers will stand exposed as the criminals they really are.

23. SEARCHING FOR A WAY OUT

So, how do we fix this mess? MERS is a Gordian Knot of trails between lender and borrower and holder of the titles. Sorting through the mess, even if possible, will take years both in the computer files and in the courts.

The only solution I can think of (short of armed rebellion and guillotining the culprits) is rather drastic, and not even original with me. In Tom Clancy's book "Debt of Honor" a stock market crash is exacerbated when the computer systems used to track transactions are sabotaged. That seems a good metaphor for the runaway mortgage-backed Securities market compounded by MERS allowing (or fraudulent bankers causing) mortgages to be placed in multiple investment bundles. The inspiration in the book is a phrase heard often in science;"If you didn't write it down, it did not happen!" And in the book, the solution is to simply discard everything that happened after the last good record and restart the machinery at that point. The stock market re-opens with the last good trade before the computers were sabotaged and everybody goes home happy, eventually.

Of course, real life will not be that simple. The mortgage bundlers have made fortunes off of these deals. If they can claim innocent victim of a computer error, then they will not be willing to surrender the fortunes they made; they will resist any solution that involves losing their profits, no matter how ill-gotten they may be. They are quite happy with the world as it is now.

The Government will not, indeed cannot ever admit error, even though, like the Gulf Oil Disaster and the Bernie Madoff scandal, the government's job was to prevent this from happening, not bait more victims into the scam with a tax credit.But having swindled the American people out of trillions of dollars to buy back and conceal the fraudulent non-collateralized mortgage securities, the US Government is now clearly an accessory to the crime, if after-the-fact. The original fraud with the mortgage-backed securities was covered up ahead of the 2008 election, and it appears Obama is trying to do the same for the 2010 elections, announcing a Federal criminal investigation which will supposedly look into the bankers' possible illegal activity, but in reality is intended to block criminal investigations already underway in all 50 states. CNBC reports that Congress may simply retro-actively declare the fraud to be legal, ending all investigations and indemnifying the bankers from criminal prosecutions.

That the relentless looting of the public treasury to cover-up this disaster has harmed the nation is beyond doubt. Trillions that might have paid for new schools and roads and hospitals has vanished into the black hole of Wall Street, to buy up bad paper and feed it to the shredder before the public finds out that once again, as is typical of a fascist economy, the poor are made to pay for all! People without mortgages, people who have never bought a home, are all harmed by this disaster. We are all victims of the rampant and reckless greed that consumes the money addicts in the halls of power. 43 million Americans are on food Stamps, and according to Barron's Magazine(October 11, 2010), unemployment is at 22%, which is depression levels. Meanwhile, Wall Street executives will collect bonuses this year totaling 8% of all the US cash in circulation!

Ultimately, the homes taken by MERS must be restored to their rightful owners. The people who bought what they thought were honestly foreclosed homes in good faith must of course be compensated and provided with equivalent properties. Beyond that, it is time to take a close look at the true nature of banks, especially the Federal Reserve, and to understand that banks do not serve the public, they serve only themselves!

> *"I believe that banking institutions are more dangerous to our liberties than standing armies. If the American people ever allow private banks to control the issue of their currency, first by inflation, then by deflation, the banks and corporations that will grow up around [the banks] will deprive the people of all property until their children wake-up homeless on the continent their fathers conquered. The issuing power should be taken from the banks and restored to the people, to whom it properly belongs."*
> ***Thomas Jefferson****, (Attributed)*
> *3rd president of US (1743 - 1826)*

THE US GOVERNMENT TOOK YOUR JOBS SO THE BANKS COULD TAKE YOUR HOMES TO COVER THE COSTS OF THEIR MORTGAGE-BACKED SECURITY FRAUD