QE3 – Pay Attention If You Are in the Real Estate Market

Post by Catherine Austin Fitts | Solari
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I used to have a deputy who said that the FHA mortgage insurance funds were where mortgages went to die. That was, however, before the creation of MERS, derivatives and the explosion of mortgage fraud during the 1990's which in combination with the "strong dollar policy" engineered what I have referred to as a financial coup d'etat.

The challenge for Ben Bernanke and the Fed governors since the 2008 bailouts has been how to deal with the backlog of fraud – not just fraudulent mortgages and fraudulent mortgage securities but the derivatives piled on top and the politics of who owns them, such as sovereign nations with nuclear arsenals, and how they feel about taking massive losses on AAA paper purchased in good faith.

On one hand, you could let them all default. The problem is the criminal liabilities would drive the global and national leadership into factionalism that could turn violent, not to mention what such defaults would do to liquidity in the financial system. Then there is the fact that a great deal of the fraudulent paper has been purchased by pension funds. So the mark down would hit the retirement savings of the people who have now also lost their homes or equity in their homes. The politics of this in an election year are terrifying for the Administration to contemplate.

Various court squabbles over the MERS system for registering mortgages are also nipping at the Fed and Treasury heels. It is hard to win a presidential election in 3100 counties when multiple federal agencies are in the local courts trying to foreclose on half the county while supporting arguments that a national registration system is free to violate local property laws with impunity.

Why should the sheriff respect your rights if you take the position that the county has no rights and local property laws are meaningless? In fact, the Sheriff does not have sufficient staff time to process foreclosures and protect the local citizenry from the growing crime that results from hard times. The Sheriff is also running for election and the people who vote for him or her comprise a much larger group than the handful of local professionals on the big banks payroll, including those processing foreclosures for FHA, VA, Farmers Home and Fannie and Freddie.

So, it looks like the Fed decision last week to buy $40 billion a month in mortgage paper is the ultimate plan to clear the market once and for all of fraudulent mortgages, mortgage backed securities and related derivatives. This means Fannie and Freddie will be bailed out and winding down through the back door. This means the big banks may be paid in full for your mortgage. It also means your pension fund assets will not be marked to market – at the price of debasing the purchasing power of your assets and benefits.

The Fed is now where mortgages go to die. Thousands of mortgages on homes that do not exist or on homes that have more than one "first" mortgage are now going to the Fed to disappear. Thousands of multifamily and commercial mortgages will be bought up as well. As this happens, trillions of dollars that have been amassed offshore will be free to come back into the US to buy up and reposition land, farmland, residential and commercial real estate and other tangibles.

With documents shredded, criminal liabilities extinguished and financial institutions made whole, funds can return without fear of seizure.

QE3 proves beyond any shadow of a doubt that the extent of the fraud was as bad as I said it was. You can count up the bailouts and QE1, QE2, QE3 the numbers speak for themselves. The fraud was indeed in the many trillions of dollars. It was intentional. It was a plan.

Now, the $64,000 question for those whose house is underwater or whose mortgage is in default is whether or not you still owe on your mortgage. Certainly, you still do as a legal matter. If the bank has been paid off, arguably in some cases several times, why not you? Let's see if Fannie, Freddie and the big banks are under orders to quietly pass through a portion of their largesse to troubled homeowners in amounts sufficient to unfreeze the market. If you are in a workout situation, you need to take notice. If enough mortgage write-offs flow through, the Democrats will quickly amass a lock on the elections in November.

If you are in the market to buy a home or other real estate, you also need to pay attention – a major turn is now underway. Watch to see how much the banks pass through to homeowners and property owners to see how fast and big the turn may be. Watch to see the inflow of funds from offshore. This is not only funds returning but investors around the world looking to exchange their dollars for tangible assets to protect themselves from debasement of the dollar denominated deposits and securities they hold. Watch to see what the renegotiation of federal tax policy and the reengineering of the federal budget in response to the "fiscal cliff" do to reposition housing and real estate prices and cost of financing for an inflow looking for large accumulations.

Finally, the way the Fed has engineered the Slow Burn to date is to continually offset monetary inflation with labor deflation. It is worth contemplating how much labor deflation will be required to offset QE3 and how sufficient additional labor deflation might be engineered. Ben Bernanke was quite clever to tie QE3 to unemployment. The problem has become the solution, which is the basis for QE-Infinity.

Source Article

About the Author

Catherine Austin Fitts began her career on Wall Street and eventually rose to managing director and member of the board of the firm Dillon, Read & Co. Inc. In 1989, she was appointed Assistant Secretary of Housing - Federal Housing Commissioner in the first Bush administration. Following this appointment, Catherine became president of The Hamilton Securities Group, an investment bank and financial software developer based in Washington D.C. She is currently the managing member of Solari Investment Advisory Services, LLC.