Inside the Abortive FBI Investigation of Illegal Foreclosure in Florida
VS The massive probe threatened to implicate the biggest banks in America, but sent just one woman to prison.

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May 31 2016, 2:30am

Six years ago, FBI agents in Jacksonville, Florida, wrote a memo to their bosses in Washington, DC, that could have unraveled the largest consumer fraud in American history. It went to the heart of the shady mortgage industry that precipitated the financial crisis, and the case promised to involve nearly every major bank in the country, honing in on the despicable practice of using bogus documents to illegally kick people out of their homes.
But despite impaneling a grand jury, calling in dozens of agents and forensic examiners, doing 75 interviews, issuing hundreds of subpoenas, and reviewing millions of documents, the criminal investigation resulted in just one conviction. And that convict—Lorraine Brown, CEO of the third-party company DocX that facilitated the fraud scheme—was sent to prison for duping the banks.

Thanks to a Freedom of Information Act request, VICE has obtained some 600 pages of documents from the Jacksonville FBI field office showing how agents conducted a sprawling investigation. (The Jacksonville case is also featured in my **new book**, Chain of Title.) The documents suggest the feds gained a detailed understanding of how and why the mortgage industry enlisted third-party companies to create false documents they presented to courts, as detailed in the 2012 **National Mortgage Settlement**, for which the big banks paid billions in civil fines. The banks' conduct is described in the settlement documents as "unlawful," and the Jacksonville FBI had it nailed almost two years earlier.
In these case files, you can see the seeds of an alternative history, one where dedicated law enforcement officials take on some of the country's most powerful financial institutions with criminal prosecutions.
So why didn't they?
"Given everything I see here, you'd have thought there would be many more convictions," said Timothy Crino, a now-retired FBI forensic accountant who reviewed case file documents. "If I was the case agent, I would be devastated."At the center of the FBI investigation were the documents required to turn ordinary mortgages into mortgage-backed securities (MBS). During the housing bubble, banks bought up mortgages and packaged thousands of them at a time into MBS; this was known as securitization.

The mortgages were transferred through a series of intermediaries into a trust, and the trust paid out investors with the revenue stream from homeowners' monthly payments.

In the end, of course, an upswing in the number of homeowner defaults led the MBS market to collapse disastrously, nearly taking down the worldwide financial system along with it. But there was another problem. In order to legally foreclose on homeowners, the financial institutions doing the foreclosing must produce documents proving the mortgages were properly transferred from their originators through intermediaries and on to the trusts, detailing every step along that chain.

If evidence collected shows intent to defraud investors by the real estate trusts, this matter has the potential to be a top ten Corporate Fraud case." —FBI Criminal Investigative Division memo, June 2010

This is common sense: If you accuse someone of stealing your car, you have to establish that you actually owned it in the first place.
This chain of ownership was at the heart of the FBI investigation, according to a "request for resource enhancement" sent on May 25, 2010, from the Jacksonville office to Sharon Ormsby, then chief of the FBI Financial Crimes Section in Washington. (Ormsby no longer works for the bureau, and an attempt to contact her through the Society of Retired Special Agents of the FBI was unsuccessful.)
"The fraud in this matter was the result of negligence in the process of creating Mortgage Backed Securities (MBS)," the memo reads.

The Jacksonville FBI agents cite three reasons why the banks didn't properly transfer the mortgages. First, the sheer volume—millions of loans—would have made it too time-consuming to file each transfer in county courts in advance. Second, it would have been too costly, as each transfer triggers a recording fee of somewhere between $35 to $50. And finally, "during a booming market, the trusts did not recognize the need to secure the loans," because they didn't believe it would ever be called into question in the courts.

The Jacksonville FBI memo claims the trusts committed fraud by reporting to the Securities and Exchange Commission (SEC), the credit rating agencies, and investors that they had clear title to the properties when they actually didn't. And agents present evidence that mortgage-servicing companies and their law firms hired third-party outfits to falsify the mortgage documents needed to foreclose after the fact.

Among those companies was DocX in Alpharetta, Georgia, which provided "default services" for mortgage-servicing companies and their law firms; when a loan went into default, they came to DocX for assistance. Because the company was a subsidiary of Jacksonville-based Lender Processing Services (LPS), the primary default services provider in the United States, the Jacksonville FBI office had jurisdiction over the case.

It used to be fun to work at DocX, one employee said in an FBI interview. Now, it was more like a "sweat shop."

"LPS and other default services created false and fraudulent documents which appeared to support their foreclosure positions," the memo reads. "LPS and the associated foreclosure mills utilized these false and fictitious docs in Courts across the nation to foreclose on homeowners."

It wasn't even that difficult to discover the falsehoods when you actually looked at the documents. Lynn Szymoniak, a West Palm Beach attorney who specialized in white-collar insurance fraud, fell into foreclosure in July 2008, and got sued by the trustee of her mortgage, Deutsche Bank. But when she finally received her mortgage assignment, it was dated October 17, 2008, three months after Deutsche Bank filed for foreclosure. So at the time of the foreclosure filing, Deutsche Bank didn't legally own the loan over which it sued her.

Adding to the chaos, one of the so-called witnesses on Szymoniak's mortgage assignment, Korell Harp, was in state prison in Oklahoma at the time he supposedly signed the document. (Ironically, Harp was in prison for identity theft, even as his own identity was being stolen for use in foreclosure documentation.) The copy of the promissory note was a hastily executed cut-and-paste job, fabricated after the fact. A woman named Linda Green signed the mortgage assignment in Szymoniak's case in her capacity as the vice president of American

Home Mortgage Servicing Inc.; she also signed as the vice president of at least 20 other financial institutions, according to public records Szymoniak compiled. And Green's signatures all featured different handwriting, meaning they weren't just fabricated, but forged.

It was Szymoniak, based on weeks of public records searches, who wrote the first official fraud report to the US attorney's office in Jacksonville. She had several friends in that office, prosecutors she'd partnered with on insurance fraud cases. So she sent a complaint to Assistant US Attorney Mark Devereaux and FBI Special Agent Doug Matthews, who managed mortgage fraud cases. The result was the Jacksonville grand jury investigation.

Szymoniak filed her own whistleblower lawsuits detailing foreclosure fraud and eventually won $95 million for the government under the False Claims Act. For bringing the case to the government's attention, she **received** a share of that award, totaling $18 million.

According to dozens of interviews conducted by the FBI, DocX originally created lien releases, signifying when mortgages got paid off. But as the housing bubble collapsed and trustees suddenly needed evidence for their foreclosure cases, the business model shifted to pumping out mortgage assignments. Temporary and low-wage workers hired by DocX were now posing as bank vice presidents, working long hours signing documents at two long tables.

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"The documents coming out of DocX were sloppy at best. Several mortgage assignments were filed with courthouses that listed the recipient of the mortgage as "BOGUS ASSIGNEE." This was apparently a placeholder on a DocX template assignment that employees habitually forgot to change. At other times, employees appear to have forgotten to change the date, executing assignments effective "9/9/9999."

"When I joined the bureau, white-collar crime was the number one priority in the country." —David Gomez, former FBI agent

In the Jacksonville FBI files, DocX employees said that they were constantly pushed to process more documents. Eventually, the company hit on a concept called "surrogate signing." Only one individual was identified on corporate resolutions as the officer authorized to sign on clients' behalf, but under surrogate signing, other employees at DocX would sign for that authorized individual. Employees would sign as many as 2,100 documents per day, and each surrogate signer would double the workflow. In early 2009, DocX management hung a banner in the office proudly displaying its successful document production to superiors visiting from LPS.
It read: "Two Million Assignments.

"The employees don't appear to have ever seen any official documents authorizing them to sign on behalf of financial institutions where they did not actually work. Indeed, when the Jacksonville FBI office subpoenaed them, agents found that the "corporate resolutions do not give DocX/LPS employees the authority to sign on behalf of the institution."
But while many people working at DocX believed the scheme to be fraudulent, according to the memo, none of them questioned the practice for fear of losing their jobs. They were reassured repeatedly that everything was legitimate. Some managers apparently told employees to keep quiet for "the good of the company." Even the managers professed that they were trying to meet LPS demands and accomplish an impossible task of completing millions of mortgage assignments.
One manager stated in an FBI interview that if she "was guilty of anything, she was guilty of being ignorant."

LPS management in Jacksonville broke up the surrogate-signing party in November 2009, after a foreclosure defense attorney began questioning their practices. Executives at LPS fired Brown, founder and CEO of DocX, claiming she began surrogate signing without their knowledge. But DocX continued to sign on behalf of corporate officers at defunct companies for months afterward, according to the memo. And because the trusts had to receive mortgage assignments within 90 days of their establishment and not years later, the document production itself was fraudulent, the Jacksonville FBI alleged, whether the signatures were forged or not.
(LPS, now known as Black Knight Financial Services after a series of corporate mergers, did not respond to a request for comment for this story.)Between February and May 2010, Jacksonville FBI agents met with state and federal officials, including members of the SEC, Federal Deposit Insurance Corporation (FDIC), and Florida's Department of Financial Services. They issued hundreds of subpoenas and prepared to seize more than $100 million in assets in the case. On May 17, they met with officials from the FBI's Economic Crimes Unit, which is responsible for overseeing financial fraud investigations in the field like Jacksonville's, to discuss the case and explain what they needed.

A week later, Jacksonville agents made the formal request for help to FBI headquarters in Washington."Jacksonville is a small field office with a White Collar Crime Squad of nine agents," the memo reads, explaining that six of the nine were committed to other cases. "In short, Jacksonville does not have the necessary resources to begin addressing this matter."

Jacksonville wanted the Economic Crimes Unit to activate the "Corporate Fly Team," a group of experienced agents with backgrounds in white-collar crime who travel to work on big cases. The extra bodies would help conduct interviews with officials at loan servicers, foreclosure law firms, trustees, and document custodians around the country.

In addition, Jacksonville's office wanted an investigative team of 12 agents and two forensic accountants. Six agents and one forensic accountant would come from FBI headquarters, the Florida Department of Financial Services and the IRS would supply a few agents, and Jacksonville would provide the rest, including the second accountant. The agents from headquarters would have a 90-day "temporary duty" (TDY) assignment. After that, Jacksonville wanted to augment their "Funded Staffing Level" (FSL) with eight additional white-collar crime agents "to permanently address this matter." Jacksonville also wanted to rent an offsite facility for the storage and review of documents.

"It's a typical bureau request," retired FBI agent Timothy Crino told me. "You ask for everything you can possibly ask for and hope you get half of it."

And they did get about half, at least at first. The Criminal Investigative Division (CID)—the FBI's single biggest department—replied to the Jacksonville request on June 24. "If evidence collected shows intent to defraud investors by the real estate trusts, this matter has the potential to be a top ten Corporate Fraud case," the reply reads. CID agreed to pony up the Corporate Fraud Response Team for assistance with interviews, and offered two TDY Forensic Accountants for at least 90 days. They requested a detailed estimate for the off-site facility, and expressed a preference for obtaining records in digital format to reduce storage needs. But CID did not agree to the additional agents or FSL request "until a further evaluation of the case is completed."

Shuffling around resources and prioritizing investigations is always tricky and involves layers of FBI office politics. "The guy running the Jacksonville desk must sell it to the unit chief," said David Gomez, a retired FBI agent with the Center for Cyber and Homeland Security at George Washington University. "The unit chief is fighting with other unit chiefs to sell it to the section chief." And after 9/11, the FBI shifted attention to fighting terrorism, making the funds and bodies dedicated to financial crime even more scarce. "When I joined the bureau [in 1984], white-collar crime was the number one priority in the country," Gomez added. "Now people come in expecting and wanting to work on terrorism."

But proper resources can make or break a case. "If you don't get everything you want, you have to pick your battles," said former Agent Crino. "You can't work the whole thing, can't go after the biggest targets."

In this case, that would mean not going up the chain, from the companies like DocX that created the false mortgage assignments to the trustees and mortgage-servicing companies who were their clients. That chain could have implicated some of America's biggest and most powerful banks and bankers; the practice was systemic, as Jacksonville agents recognized. But a small FBI office can only do so much.

Before the end of the 90-day temporary agent assignment in Jacksonville, stories about foreclosure fraud began appearing in the news. "Robo-signers" who signed thousands of documents with no understanding of their contents were **exposed** through depositions placed on the internet. GMAC Mortgage, JPMorgan Chase, and eventually every major mortgage servicer in the country **paused** their foreclosure operations, because they were shown to be illegitimate.

The Jacksonville FBI office made a second request for resources on January 20, 2011. Agents said the local US attorney was considering indicting unidentified members of LPS for their role in the fraud, and also "identified Deutsche Bank as a subject trustee... who provided services in the conspiracy and made material misrepresentations to the SEC and the investing public." (Deutsche Bank spokesman Oksana Poltavets declined to comment on the case.) The FBI in Jacksonville also said the US attorney there had the commitment of the main Justice Department in Washington for the case going forward, bolstering the agents' contention that they needed more resources.

Agents in Jacksonville made a bevy of new asks, from additional use of the Corporate Fly Team to conduct interviews and review 3 million documents—produced by LPS after a subpoena—to help from other field offices for interviews in their own jurisdictions with homeowners evicted based on false documents. Finally, agents in Jacksonville wanted the Minneapolis FBI office to look into another LPS facility in Minnesota to see if employees had created false documents there, as well.

The FBI bosses in DC honored several of these requests. Fly Team members helped review the documents. Field offices pitched in on homeowner interviews. The investigation seemed to be making headway.
And then the trail went cold.
It is still difficult to pinpoint why, given that all the major players won't comment on the investigation. That includes the FBI's field office in Jacksonville, the FBI's Economic Crimes Unit in Washington, and the Justice Department. The last document in the FOIA file is dated June 28, 2012, describing planned travel from Jacksonville to Atlanta to interview "at least six" witnesses.
After that, there's nothing.
The grand summary of the investigation, which would typically be written up at the end, is not included in the FOIA documents. "It's just such a huge question mark," former FBI Agent Crino told me, "how this could have gone so horribly wrong.

"The only person ultimately convicted in the Jacksonville case was Lorraine Brown, who was **sentenced in June 2013** to five years in prison after pleading guilty to conspiracy to commit mail and wire fraud. The indictment claimed she directed the document forgery and fabrication scheme "unbeknownst to DocX's clients." In other words, according to prosecutors, mortgage servicers contracted Brown to provide evidence, so they could prove standing to foreclose, but didn't know the resulting evidence was faked.

But the Jacksonville FBI agents stated in their reports that any mortgage documents created after the closure of the trusts would have to have been fabricated. As recently as the January 20, 2011, request for resources, agents wrote, "When the notes were bundled, an assignment of mortgage should have been prepared and filed at the county court level... to ensure clear title in the event of sale and/or foreclosure." And they explained how and why the trusts failed to do so, necessitating the creation of documents after foreclosure had already begun.

So the charging documents in the Brown case positions the banks as unwitting dupes of the scheme, a reversal from the consistent determination by agents in the field that they were fully aware of and in fact responsible for the situation.

"I thought, *Well, this is one friend saying to another friend: 'This is over,'"*—Lynn Szymoniak

In the sentencing phase, the feds turned to county registers, the public officeholders who track and manage mortgage documents, to provide horror stories about DocX. One of them was John O'Brien, county register in Essex County, Massachusetts. He was determined to recoup $1.28 million from Brown to clean up falsified DocX land records filed with his office.

When Assistant US Attorney Mark Devereaux asked him to testify, however, O'Brien recalled the prosecutor insisting the judge wouldn't accept the claim, because registers—a.k.a. the public—were not victims.

"What do you mean, we're not a victim?" O'Brien exclaimed. "We're the ones with all these false documents!"

"No, the bank is the victim," Devereaux replied, according to O'Brien.

(The US Attorney's office in Jacksonville, where Devereaux still serves as a prosecutor, declined to comment on the case.)

Lynn Szymoniak, whose complaint triggered the Jacksonville FBI probe, believes that officials at the Justice Department, determined to stage-manage their own resolution to the scandal, stonewalled the agents on the case. She told me about one moment when she sensed the whole thing was rigged, sometime in the middle of 2011, well over a year after the investigation got underway.

Szymoniak had been unofficially assisting the Jacksonville team with research. US attorneys there would ask for 200 examples of a law firm signing mortgage assignments after they filed their foreclosure case, or 30 Linda Green documents in a certain region of the country. Szymoniak spent hours on these projects, feeling like she couldn't say no. But she wondered why the requests kept coming, even after she went public and **appeared** on 60 Minutes in April 2011, detailing the false document scheme. "I really thought that in response they would have to file [an indictment]," Szymoniak said. "When they decided to hold tight and it would go away, I realized I had no cards left to play."

At one point, the assistant US attorney requested a massive set of files. Szymoniak emailed her friend Henry "Tommy" Clark, a detective with the Florida Department of Financial Services' Division of Insurance Fraud, who also partnered with the FBI on cases. She complained to him that the file request was going to take her 14 hours to assemble. Clark called her within a few minutes and didn't even say hello.

Clark worked with the Jacksonville FBI field office for a long time, and he saw the agents there as honorable people willing to follow the evidence wherever it led, Szymoniak recalled. So when Clark said, "I'm not working on it anymore, I've got a whole lot of other cases where I can file," he seemed to validate the eerie feeling she had about the e. Their shared recognition was that someone seemed to be preventing Jacksonvillefrom completing the investigation, and the two knew each other well enough to broach that fear in just a few words.

"I thought, Well, this is one friend saying to another friend: 'This is over,'" she told me.

In a phone conversation, Detective Clark, who has since retired, confirmed that he worked on the FBI case but declined to comment for this story.

The FOIA documents detail an intense investigation in the aftermath of economic disaster, with Jacksonville agents and US attorneys going all-out for the public interest. They spent years running down leads and cultivating information, with the national office in Washington accommodating many of their resource requests. But all that work amounted solely to putting one non-banker in prison.

In February 2012, the Justice Department and 49 state attorneys general reached their **civil settlement** with the five biggest mortgage servicers over a host of allegations of deceptive and unlawful conduct, including "preparing, executing, notarizing, or presenting false and misleading documents... or otherwise using false or misleading documents as part of the foreclosure process." The feds **boasted** that the settlement was for $25 billion, but only $5 billion of that was in hard dollars, with the rest in credits for activities that included bulldozing homes and donating others to charity. Homeowners wrongfully foreclosed on received about $1,480. The Justice Department claimed it reserved the right to criminally prosecute anyone suspected of wrongdoing. That still hasn't happened.

After Brown's sentencing, Szymoniak called up one of the FBI investigators and thanked him for at least snagging the one conviction—for proving real crimes were committed by some of the most powerful economic players in America, crimes theoretically punishable with prison time.There was a long pause.

According to Szymoniak, when the agent finally broke the silence, he said, "I don't think the taxpayers were very well served."