WaPo Misses Real Foreclosure Scandal

The Washington Post's Jia Lynn Yang and Ariana Eunjung Cha wrote a story October 7th on President Obama vetoing a bill that addresses the flaws in foreclosure proceedings. The authors write:

> The vetoed bill, which is two pages, would have required local courts to accept notarizations, including those made electronically, from across state lines. Its sponsors said it was intended to promote interstate commerce. Lawmakers saw no problems when the House approved it in April by a voice vote, which leaves no record of votes. The Senate passed the bill unanimously last week.
>
> But as the lack of a proper paper trail in mortgage documents came to light, the idea of relying on electronic notaries triggered protests from real estate lawyers and consumer advocates. Relying more on electronic notaries, they warned, could allow more fraud into the system.

The bill was also meant to reduce the litigation that occurs when fraudulent documents surface in foreclosure cases. Lawyers are questioning whether or not third party companies have the right to foreclose on homes because they don't own the mortgage. But this isn't the real problem writes economist and Cato scholar Arnold Kling. Kling correctly points out that the *Washington Post* story misses the real scandal when it comes to foreclosure proceedings:

"The real scandal is that the process of recording property title is so antiquated, and there are so many interest groups that resist modernizing it. The MERS mortgage database shows what a modern system could look like. But all of the counties that charge fees for title recording, the title "insurance" companies that shake down home buyers to buy "protection" from getting sued to prove that they own their property–these interest groups want to keep the title recording system as expensive and unreliable as possible.

The real foreclosure scandal is that it is taking so long to get people who have stopped making payments out of their homes. Those costs are shifted to the rest of us. Moreover, from now on, any mortgage lender has to raise the interest rate on a mortgage loan in order to take into account the fact that the lender's losses in the event of a default are going to be much higher."

Nick Loris October 19, 2010

Tags: Ariana Eunjung Cha, foreclosures, Jia Lynn Yang, MERS, The Washington Post

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