Slideshow: Case Study- JPMorgan Chase & Washington Mutual

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A Case Study

JPMorgan Chase &
Washington Mutual

How Chase took advantage of its actions to take property from American Homeowners

A brief “big picture” slide presentation in support of SymphonyMusic at KnowTheNuances@gmail.com by MelodySinger.
Chase & WaMu similarities:

• Operated in 50 States.
• Operated globally.
• Securitized a majority of whatever they could off their balance sheets.
• Were FDIC insured.
• Were lead by fallible humans…
• In 2008, looked for Solutions…
Chase & WaMu Differences:

Chase:
- Chase was supervised by the Office of the Comptroller of the Currency.
- Was primarily a commercial business institution.
- Was a “commercial” bank with its own unique mission statement and management operating style.

WaMu
- WaMu was supervised by the Office of Thrift Supervision.
- Was predominantly in real estate oriented activities.
- Was a “thrift” institution with its own unique mission statement and management operating style.
How Did Chase take Property?

• For whatever reason, interest rates were dropped by Federal Reserve Bank in October, 2008.
• Chase began servicing WaMu accounts as of September 25, 2008.
• Chase immediately saw that it could earn more by not providing access to refinancings and locked all customers into high interest rate loans.

➢ Chase began collecting 300% more in relative profit on every loan while, additionally, no longer providing local access to working capital loans.
How was Chase allowed to harm?

- Chase was never required to report to OTS (which was dissolved in 2011).
- Chase began to enforce collection on a “legalistic basis,” because it had the market power to do so, while…
  - Not recognizing that Chase inherited obligations to consumers as a result of having received Public Trust via its banking charter.
  - Not acting on its obligation to provide working capital loans to local State businesses and residents.
  - Enabling sophisticated accredited investors to interact directly with consumers without any regulatory supervision.
Chase Became Conflicted…

• Chase had a fiduciary duty to “investors” as a result of its role as “servicer” and a different fiduciary duty to support local economy via a duty to local consumers because of its bank charter.

• Chase’s representation to its auditors, the SEC, and Politicians, could not be true at the same moment Chase made different representations to local land registrars, Court systems, and to consumers.
Chase’s Response Strategy: Avoid Liability

- Collect cash for as long, as quickly, from as many consumers, as it could/can.
- Leverage off “denial,” “obfuscation,” and the “complicated” nature of “securitization” to judges, lawyers, and politicians.
- Highlight to public policy makers, including judges, that their personal pension investments depended on enforcement of bank perspective.
- Develop an internal system of residential appraisal that changed parameters and artificially reduce all home valuations.
Chase’s Worrisome Liability suits included those from ...

- Institutional investors for not aggressively enforcing servicing agreements (This includes pension funds of politicians, judges, and other public servants).
- Institutional investors for having underwritten and recommended faulty “investment” instruments.
- Auditors and SEC for not disclosing ownership of all securitized mortgaged backed securities during default phases.
- HUD for not disclosing its servicing fees to consumers.
- Title companies for muddying title chains.
- Credit bureaus for false representations about consumers.
- Overcharged consumers.
Conclusion: Chase’s Decision

Chase decided to become aggressive against its consumers choosing, what it believed, was the lesser of the evil threats.
Therefore, to garner political support...

- Chase told municipal pension funds (who had purchased their securitized assets) that these assets were strong and that nothing was wrong with the original structuring of the instrument which they had endorsed.
- Chase told bank regulators that they were conducting business as usual (while actually bringing local business to a standstill)
- Chase immediately began to deny the existence of disputes.
- Chase began to report false information to the Credit Bureaus.
- Chase decided that the long term survival of the bank for shareholders no longer mattered as long as current management survived with their compensation payouts.
The Final Impact

• WaMu customers were made to pay $3,700,000,000 in excess interest charges
  – Some homeowners paid more than $120,000 since 2008.
  – Some homeowners in excess of 4 times usual relative profit rates to Chase.

• In addition, homeowners whose mortgage loans were not underwater, were forced to sell -- losing equity that could represent no less than 30% of their personal value in their home.
Impact on the Average Borrower

Actual
Purchase Price: 312,500
Average Principal: $250,000
Start Date: 2007
Payment: 2,000
Homeowner Equity: 72500
Home Value 234375

Should Have been:
Value Today: 234375
Start Date: 2007
Payment: $1054
Homeowner Equity:
Assumes the correct allocation of overpayment over 36 months since October 9, 2008.
Chase took actions that Undermined...

1. Clean title to residential property.
2. Its long term survival as a bank service provider.
3. Economic development on a State-by-State basis.

Special Note: The top five banks control 52% of all US based assets and service substantially more. The top five banks collude to jointly benefit from their anti-competitive behavior that benefits them all equally.