WHY THE LENDERS HAVE A PROBLEM THEY CAN'T SOLVE AND HOW THAT BENEFITS HOMEOWNERS

I like to eat. I think a lot of people do. And I like the food processor in my kitchen. So while I was thinking about how to make the Wall Street scheme simple, I came upon the following recipe:

Suppose you took your food processor out, took the cover off and threw in a whole apple. Then toss in a whole orange, some broccoli, a chicken breast, a piece of filet Mignon, some carrots, onions and a few cloves of garlic. Now put the cover back on and set it on puree for about 3 minutes. Now take the cover off and try to take out the apple --- the whole apple, just like it was before you put it into the processor. You can't do it. In foreclosure litigation that is the lost note and lost assignment. You might bits and pieces, but finding the whole thing is very unlikely.

Of course the mortgage fraud was much more complicated than that. But just imagine you called the concoction you just made Gourmet Luscious Organic Pate, whose acronym would appropriate be called GLOP. On Wall Street they called it certificates of asset backed securities. And among insiders it was later referred to as "toxic waste." You package it up in a beautiful container, sell it in only the best upscale stores for $29.95 for 2 ounces. You list the ingredients and proudly proclaim the value proposition: great food, nice and tasty, and certified organic. The buyer has paid about 100 times the cost. A really great business.

Now assume you are wildly successful and you run out of ingredients that are fresh. So to cut corners and not interrupt the growth of your budding business you get to the point where you are buying ingredients that are passed expiration date and because of the sudden growth of your business, your handling of the food is not exactly up to par with some food items laying around unrefrigerated for longer than they should be.

So now, to make sure you don't get in trouble if anyone gets sick you get an "independent" assessment of the quality of your food together with the growers' certification that the food is organic and was grown only the best conditions. In Wall Street they call these independent security ratings from Moody's Fitch et al and on the Real Estate side, they call this an independent "appraisal."

You have achieved plausible deniability, the cornerstone of Wall Street finance. As demand increases for the GLOP, and you are collecting more and more money, you need to give the buyers something for their money even if it wasn't what they thought they were buying. So you cut more and more corners substituting ingredients, leaving some out and generally turning out a stinking mess that eventually makes a lot of people sick. But it takes a while for them to realize what made them sick and in the meanwhile you sell the company for millions, move to Bora Bora, and live your life in leisure.

The "free market" enthusiasts see nothing wrong with that. I'm afraid I don't agree.