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GMAC Spotlight On 'Robo-Signer'

By Robbie Whelan

They are called robo-signers, putting their names on thousands of documents tied to mortgages facing foreclosure. Now, under pressure from borrowers, banks are halting foreclosures where the documents are signed by these employees.

This week, mortgage-servicing giant GMAC Mortgage Co. halted foreclosures in 23 states due to questions about documents signed by one of its robo-signers, Jeffrey Stephan.

Until now, Mr. Stephan was an anonymous middle manager whose job is to sign affidavits, assignments of mortgages and other documents that establish a bank's ownership of a mortgage, thus giving the bank the right to foreclose.

But, as revelations come to light about how Mr. Stephan and other robo-signers do their jobs, a picture is emerging of a foreclosure process that critics say is just as flawed as the lax lending and perverse incentives that created the lending crisis.

In two sworn depositions given by Mr. Stephan over the last 10 months, he said that assistants brought as many as 500 documents a day to this desk at GMAC's office in Fort Washington, Pa. Some months, he would sign more than 10,000 documents related to home foreclosures. By signing the documents, he was stating that he had personally reviewed the details of each case.

The problem is, according to depositions Mr. Stephan gave in December and June, he didn't really look at each case. In fact, he assumed that all the details were correct, and just signed off on each one. Mr. Stephan also noted that, when he joined GMAC in 2004, he went through a training program that lasted three days.

"It just corrupts the entire process of justice when you have people signing documents as if they have personal knowledge of processes or information that they don't have knowledge of," said O. Max Gardner III, a South Carolina consumer bankruptcy lawyer who represents borrowers in these types of cases.

Now, lenders have begun withdrawing the affidavits signed by Mr. Stephan, thereby ending dozens of foreclosure proceedings across Florida, Maine and Texas. Many lawyers who represent borrowers in foreclosure have argued that the banks trying to repossess these homes don't have the standing to do so, and are seeking to block the actions.

On Monday, GMAC confirmed that it suspended foreclosure sales and evictions in 23 states so that it can investigate its foreclosure procedures.

Mr. Stephan, a 41-year-old Penn State graduate from Sellersville, Pa., has worked at GMAC since 2004, and before that worked in collections and foreclosure processing work for ContiMortgage Corp. and Fairbanks Capital Corp. In depositions, he said that he had received a three-day training program in how to handle foreclosure paperwork when he joined GMAC.

Mr. Stephan couldn't be reached, and his lawyers didn't return calls seeking comment.

Ally Financial Inc., GMAC's parent company, said Mr. Stephan is still working there and admitted there had been irregularities. "The entire situation is unfortunate and regrettable and GMAC Mortgage is diligently working to resolve the situation," the company said in a statement.

Other servicers, as well, have been questioned over their practices. On May 17, Ice Legal, the Royal Palm Beach, Fla.-based law firm that first deposed Mr. Stephan last December, took a sworn deposition from Beth Cottrell, another robo-signer. Working as an operations specialist for Chase Home Mortgage, a division of [J.P. Morgan Chase & Co.](#), she said she regularly signed off on about 18,000 foreclosure affidavits and other documents each month, without ever personally reviewing the files associated with the loans.

When questioned about whether or not she had signed the documents based on her own personal knowledge of the cases, she replied, "My own personal knowledge, no." Ms. Cottrell couldn't be reached. A spokesman for Chase declined comment.

Todd Zwicky, a professor of real-estate finance at George Mason University, said the revelations about Mr. Stephan and other alleged robo-signers could have a wide range of repercussions, "from being a gigantic monkey wrench in the works, to being something really small." Judges might stop accepting foreclosure filings if there is any question of the accuracy of the documents, which could cause holdups in the process of working through millions of homes nationwide going through foreclosure.

"The kind of facts that you're talking about here are the facts that judges don't like—this kind of assembly-line paperwork pushing with no oversight. There's good reason for lenders to be worried about here, if they misstep," Mr. Zwicky said. "It could be a relatively severe hurdle to foreclosures."

—Aparajita Saha-Bubna contributed to this article.

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