

# Securitization Audit Report

[REDACTED]  
[REDACTED]  
Roosevelt, NY 11575

June 4, 2014

This examination traces the history of ownership of the subject loan and security instrument and its purpose is to determine the entity which has the right to enforce them. Based on the documents presented the process involves identifying the different entities which held the promissory note on the one hand and the mortgage or deed of trust or security deed on the other, as well as the breaks in the chain of title and the resulting separation of the security from the debt instrument.

If the loan has been securitized, the examination will identify the deviations from the chains of endorsements and assignments required in securitization and in qualifying the securitizing entity as a Real Estate Mortgage Investment Conduit (REMIC).

The findings in this report are not to be construed as legal advice. The opinion of the examiner was deduced from his findings based on an examination of the documents presented and is independent of the opinion of others. The examiner holds no interest whatsoever in the outcome of this examination.

The findings herein may be exhibited in any court in conformity with the rules and procedures applicable in its jurisdiction. For whatever purpose this report may serve it is always best to seek the advice of an attorney or legal counsel.

## Securitization Audit

A securitization audit is a type of examination of the documents presented for a particular loan and security transaction and comparing and analyzing them with other available information for the purpose of identifying if it has been securitized, and if it is, of identifying the securitizing entity. The examination also involves a review of the documents as they relate to various transactions, topics, and issues affecting securitizations in general and the audited loan in particular.

### Pre-Requisites for Audit

#### Documents for Examination

The basic documents to be presented for examination are the promissory note and the security instrument, i.e., the mortgage, or deed of trust, or security deed. Other relevant documents include allonges, assignments, documents pertaining to foreclosure, and the MERS servicer inquiry screenshot. Collateral documents include the liens search report, mortgage loan statements, and letters from the servicer and other correspondence.

#### Fannie Mae/Freddie Mac Loan Lookup

A loan is securitized by its holder. Although a loan may have been granted by a private lending institution, it may qualify for funding by a Government-Sponsored Enterprise (GSE) such as the Federal National Mortgage Association (FNMA or Fannie Mae) or Federal Home Loan Mortgage Corp. (FHLMC of Freddie Mac) whereupon it is sold or transferred by the originating private lender to any of these institutions. Fannie Mae and Freddie Mac securitized their own respective loans.

On the other hand, a majority of home mortgage loans do not qualify for funding from these GSEs and their ownership and possession remain with the originating lender. These private lenders also securitize their loans, and they are referred as “private label” securitizations. The loan that is the subject of this examination falls under this category. Thus, before the decision to have the subject loan audited was reached, it has been verified and found that it is not owned by Fannie Mae or Freddie Mac.

### History of a Typical Securitized Loan

A securitization audit in general traces the history of the loan and security from the date of granting and execution up to the date of examination. At the time of granting the originating lender may have exercised its authority to appoint or nominate another entity to act as the mortgagee or beneficiary or grantee. Under any of these capacities, the nominee may later exercise its designated powers which may turn out to be beyond the limits defined by law or prejudicial to the interests of the borrower.

During the intervening period the mortgage loan may have been sold or transferred to another lender and to still another, and the mortgage loan may eventually end up with a warehouse lender whose job is to accumulate loans for the purpose of securitization. Thus the loan ends up being securitized.

Securitization requires chains of endorsements and assignments of the note and security instrument respectively, in order for the securitizing entity to qualify as a REMIC – a requirement that has been violated in perhaps the majority of securitized loans. As we have seen, the originating lender will endorse the note to the warehouse lender while the security instrument, on which a mortgagee or beneficiary or grantee has been authorized by the originating lender to transfer, will assign it directly to the securitization trust. Meanwhile, the endorsement to the warehouse lender will prove to be the last. A separation of the security instrument from the debt instrument has thus occurred, or at least it would appear, on paper.

## Evidence for Securitization

The most credible evidence to prove that a mortgage loan has been securitized would be an endorsement of the note and/or an assignment of the security instrument in favor of the securitization trust. Foreclosure documents such as a Lis Pendens or a Complaint for Foreclosure or a Notice of Default in which the securitization trust is named as the plaintiff or the holder of the note also serve the same purpose. In some instances, a servicer, in response to a borrower's Qualified Written Request (QWR), would disclose that the noteholder is a securitization trust.

There are countless instances, however, that no such endorsements or assignments have been documented even though the loan has been securitized. A foreclosure may also be commenced with the servicer acting as the plaintiff or the party to be contacted to stop the foreclosure; and while a servicer is bound by law to respond to a QWR, for various reasons it may do so without disclosing the noteholder. All these instances require that a separate inquiry has to be conducted if securitization has to be proved.

## Securitization Research Facility

On top of its main business of making market information available to investors in mortgage-backed securities, a securitization research facility also provides service to a securitization auditor by making available the facility necessary for a loan to be located in the pool of a particular securitization trust. The facility most commonly used nowadays is that of ABSNet®.

ABSNet® is the structured finance industry's leading source of asset-backed securities surveillance and intelligence. It provides a valuable research, analysis, and decision-support mechanism for financial professionals who issue, buy, sell, trade, or invest in asset-backed securities as well as those who facilitate and support these transactions.

<http://www.lewtan.com/products/ABSNETnet.html>

## The Inference Method

Millions of loans have been securitized since the onset of the housing market boom in about the year 2000. An unusually huge number of loans have thus been securitized in so short a time. The result is sloppy if not poor quality of documentation which has been admitted (and there is ample evidence to show). Thus, a securitized loan may not leave a trace of its path into a securitization trust. For their part, most securitization trusts did not provide lists of the loans that were included in their mortgage pools among the documents they have made available to the public.

It is also an admitted estimate that most lenders securitized more than half of their home mortgage loans during the years 2000 up to 2007. Therefore, a loan that has no documentary evidence in favor of securitization and which could not be located in the mortgage pool of a securitization trust using a securitization research facility should not be dismissed as simply not being securitized.

Under these circumstances, a securitization auditor may opt to infer that a loan has been securitized into a particular trust. The process of inferring is not altogether guesswork. For example, a particular lender may also be a party or participant in a securitization trust as originator or seller and it is quite the norm that loans are securitized within two to three months of granting. A fixed rate loan can only be securitized into a trust that admits only fixed rate loans and the amount and interest rate of this particular fixed rate loan may also fall within the amount and interest rate ranges of the identified trust.

There are various techniques of inference and several combinations to be applied before the auditor reaches the conclusion that the loan could have been securitized into a particular trust. These techniques and combinations vary according to the specifics of the loan under examination. This is fully explained in this report.

## Related Transactions and Issues

Loan securitization already requires chains of endorsements on the note and assignments of the security instrument. This has been made complicated by the nomination of MERS as mortgagee or beneficiary or grantee in the security instrument. The establishment of MERS for this purpose may have been a novel idea which could have served to simplify the documentary requirements of these transactions.

On the other side of the market, lenders were lending more to borrowers who not only failed to qualify for GSE funding but lowered their standards even further giving rise to such labels as “sub-prime”, “Alt-A”, and “Alt-B”. They also eased their documentation requirements and, worst of all, even cut short their implementation. The result was that the huge volumes of lower-quality loans being granted and securitized in so short a span of time proved too over-bearing for the whole system to document.

As more loans were securitized, more money became available for new lending, and thus more documentation requirements to cope up with. The system may have hoped for the demand to hold steady before lending institutions could make up for the documentation back-log, but the housing market boom suddenly collapsed near the end of the year 2007. Within months it was already time to foreclose. This required even more documentation.

The transactions and issues related to the subject loan which are also covered in this securitization audit are (1) MERS as Mortgagee or Beneficiary or Grantee, (2) Robo-Signing, (3) the Chain of Title, and (4) Foreclosure. Where applicable, each of these is discussed in their respective sections in this report.

## The Debt and the Security Instruments

The loan that is the subject of this examination was granted on March 10, 2006. The promissory note names [REDACTED] as the borrower and Argent Mortgage Co., LLC as the originating lender. It is an Adjustable Rate Note with a term of 30 years to mature on April 1, 2036. It has been endorsed by the originating lender.

The Mortgage was executed on the same date. The parties are the borrower and the originating lender. Mortgage Electronic Registration Systems, Inc. (MERS) is not a party in this security instrument. This instrument secures the debt of the borrowers to the lender including interest thereof. The mortgaged property is located at [REDACTED] It belongs in the jurisdiction of [REDACTED]

### Information on the Debt and the Security Instruments

General	Amount of Principal	[REDACTED]
	Loan Closing Date	March 10, 2006
	Loan Maturity Date	April 1, 2036
	Term	30 Years
Promissory Note	Type of Note	Adjustable Rate Note
	Initial Interest Rate	8.650% p.a.
	Interest Rate Change Date	April 1, 2008
	Loan Number	[REDACTED]
Mortgage	MIN	None
	Lien Priority	First Lien

## The Parties to the Debt and the Security Instruments

Borrower	Name	[REDACTED]
	Mailing Address	[REDACTED] Roosevelt NY 11575
	Property Address	[REDACTED] Roosevelt NY 11575
Co-Borrower	Name	None
Lender	Name	Argent Mortgage Co., LLC
	Mailing Address	3 Park Plaza 10F Irvine CA 92614
Mortgagee	Name	Argent Mortgage Co., LLC
Mortgage Servicer	Name	MGC Mortgage, Inc.
	Mailing Address	1 Corporate Drive Suite 360 Lake Zurich IL 60047
Title Company	Name	Unknown

## The Securitization of the Subject Loan

### How the Subject Loan Came into the Securitization Trust

The subject loan was granted on March 10, 2006. The originating lender is Argent Mortgage Co., LLC.

On an unknown date the Adjustable Rate Note was endorsed by the originating lender to Residential Funding Co., LLC.

On October 1, 2008, there was a recorded Assignment of Mortgage. This document names Argent Mortgage Co., LLC as the previous lender and Residential Funding Co., LLC as the new lender.

Residential Funding Co., LLC securitized their home mortgage loans and established trusts for this purpose in the year 2006. The examiners deduce, using their professional experience and based on an examination of the documents presented, that Residential Funding Co., LLC securitized the subject loan after acquiring it from the originating lender.

A search of the filings with the Securities and Exchange Commission for securitization trusts that were established by Residential Funding Co., LLC in the year 2006 indicates that the trust into which the subject loan could have been securitized would be the RAMP Series 2006-RS4 Trust.

RAMP Series 2006-RS4 Trust was established under a Pooling and Servicing Agreement dated June 1, 2006 by and among Residential Asset Mortgage Products, Inc. as depositor, Residential Funding Corp. as master servicer, and JP Morgan Chase Bank, NA as trustee.

<http://www.secinfo.com/dsvrn.v5j8.d.htm>

## The Parties to the Securitization Trust

Issuing Entity	RAMP Series 2006-RS4 Trust
Title of the Offered Securities	RAMP Series 2006-RS4 Trust, Mortgage Asset-Backed Pass-Through Certificates, Series 2006-RS4
Sponsor	Residential Funding Corp.
Depositor	Residential Asset Mortgage Products, Inc.
Master Servicer	Residential Funding Corp.
Trustee	JP Morgan Chase Bank, NA
Custodian	Wells Fargo Bank, NA
LPMI Insurer	The primary mortgage insurance policies were issued by Republic Mortgage Insurance Co. and six other insurers. The applicable provisions on insurance are found in the sections titled Description of Credit Enhancement, page 54 and Insurance Policies on Loans, page 63 of the Prospectus.
Cut-off Date	June 1, 2006
Closing Date	On or about June 28, 2006
Approx. Amount of Total Assets Held	\$885,749,000

## How the Loan Fits in the Trust's Mortgage Pool

The table below shows a comparison of the features of the subject loan with those in the mortgage pool of RAMP Series 2006-RS4 Trust.

Feature	This Loan	The Mortgage Pool, All Loans
Date Granted/Closing Date	March 10, 2006	June 28, 2006
Original Amount	██████████	\$100,000 or less to \$1,800,000
Interest Rate	8.650% p.a.	4.500% p.a. to 12.499% p.a.
Interest Type	Adjustable	Fixed & Adjustable
Interest Rate Change Date	April 1, 2008	April 2008 for 651 loans
Lien Position	First	First
Property Location	New York	40 property locations in the state of New York
Reference	Adjustable Rate Note; Mortgage	Prospectus Supplement

## The Links to the Trust Documents

Date of Filing	Particulars
June 16, 2006	<p>Prospectus Supplement and Prospectus under SEC Form 424-B5.</p> <p>The parties are Residential Asset Mortgage Products, Inc. as depositor, Residential Funding Corp. as sponsor and master servicer, and JP Morgan Chase Bank, NA as trustee. <a href="http://www.secinfo.com/dsvrn.v4Sx.htm">http://www.secinfo.com/dsvrn.v4Sx.htm</a></p>
March 30, 2007	<p>Annual Report under SEC Form 10-K.</p> <p>This document names Residential Funding Co., LLC as master servicer and reports the filings of Annual Statements of Compliance for the Servicers for the year ended December 31, 2006. <a href="http://www.secinfo.com/d19Hmb.u9.htm">http://www.secinfo.com/d19Hmb.u9.htm</a></p>
January 12, 2007	<p>Notice of Suspension of Duty to File Reports under SEC Form 15-15D.</p> <p>This document was filed on behalf of the trust by Residential Asset Mortgage Products, Inc. as depositor. The number of certificateholders as of report date was three. <a href="http://www.secinfo.com/d19Hmb.ub.htm">http://www.secinfo.com/d19Hmb.ub.htm</a></p>
July 13, 2006	<p>Pooling and Servicing Agreement dated June 1, 2006</p> <p>The parties are Residential Asset Mortgage Products, Inc. as depositor, Residential Funding Corp. as master servicer, and JP Morgan Chase Bank, NA as trustee. <a href="http://www.secinfo.com/dsvrn.v5j8.d.htm">http://www.secinfo.com/dsvrn.v5j8.d.htm</a></p>
<p>The link to all Documents filed with the SEC as of June 4, 2014.  <a href="http://www.secinfo.com/\$/SEC/Registrant.asp?CIK=1361604">http://www.secinfo.com/\$/SEC/Registrant.asp?CIK=1361604</a></p>	

## The Pooling and Servicing Agreement

The operation of the trust is governed by the Pooling and Servicing Agreement dated as of June 1, 2006. The parties to this agreement are Residential Asset Mortgage Products, Inc. as depositor, Residential Funding Corp. as master servicer, and JP Morgan Chase Bank, NA as trustee. <http://www.secinfo.com/dsvrn.v5j8.d.htm>

## The Assets of the Trust

The mortgage loans in the final mortgage pool are expected to have an aggregate principal balance as of the cut-off date of approximately \$925,000,000. The information presented in this prospectus supplement includes mortgage loans with an aggregate principal balance as of the cut-off date of approximately \$923,136,168.

The mortgage loans had individual principal balances at origination of at least \$11,100 but not more than \$1,761,500, with an average principal balance at origination of approximately \$175,609. Mortgage Pool Characteristics, Prospectus Supplement, page S-37, *abridged*. <http://www.secinfo.com/dsvrn.v4Sx.htm#2f0a>

## The Certificates Issued by the Trust

The following table shows the certificates that were issued by the trust and their corresponding CUSIP Numbers.

Class	CUSIP	Beginning Notional/ Principal Balance Factor	Principal Distribution Factor	Interest Distribution <sup>1</sup>
A-1	<a href="#">75156WAA1</a>	1,000.00000000	16.72554857	4.06547250
A-2	<a href="#">75156WAB9</a>	1,000.00000000	0.00000000	4.08797253
A-3	<a href="#">75156WAC7</a>	1,000.00000000	0.00000000	4.13297249
A-4	<a href="#">75156WAD5</a>	1,000.00000000	0.00000000	4.21547245
M-1	<a href="#">75156WAE3</a>	1,000.00000000	0.00000000	4.26797251
M-2	<a href="#">75156WAF0</a>	1,000.00000000	0.00000000	4.29047258
M-3	<a href="#">75156WAG8</a>	1,000.00000000	0.00000000	4.33547257
M-4	<a href="#">75156WAH6</a>	1,000.00000000	0.00000000	4.38047238
M-5	<a href="#">75156WAJ2</a>	1,000.00000000	0.00000000	4.41797252
M-6	<a href="#">75156WAK9</a>	1,000.00000000	0.00000000	4.45547223
M-7	<a href="#">75156WAL7</a>	1,000.00000000	0.00000000	4.79297236
M-8	<a href="#">75156WAM5</a>	1,000.00000000	0.00000000	4.98047223
M-9	<a href="#">75156WAN3</a>	1,000.00000000	0.00000000	5.80547245
SB	1	<a href="#">75156WAP8</a>		
R-I		0.00000000	0.00000000	0.00000000
R-II		0.00000000	0.00000000	0.00000000

Factors not reported for OC Classes

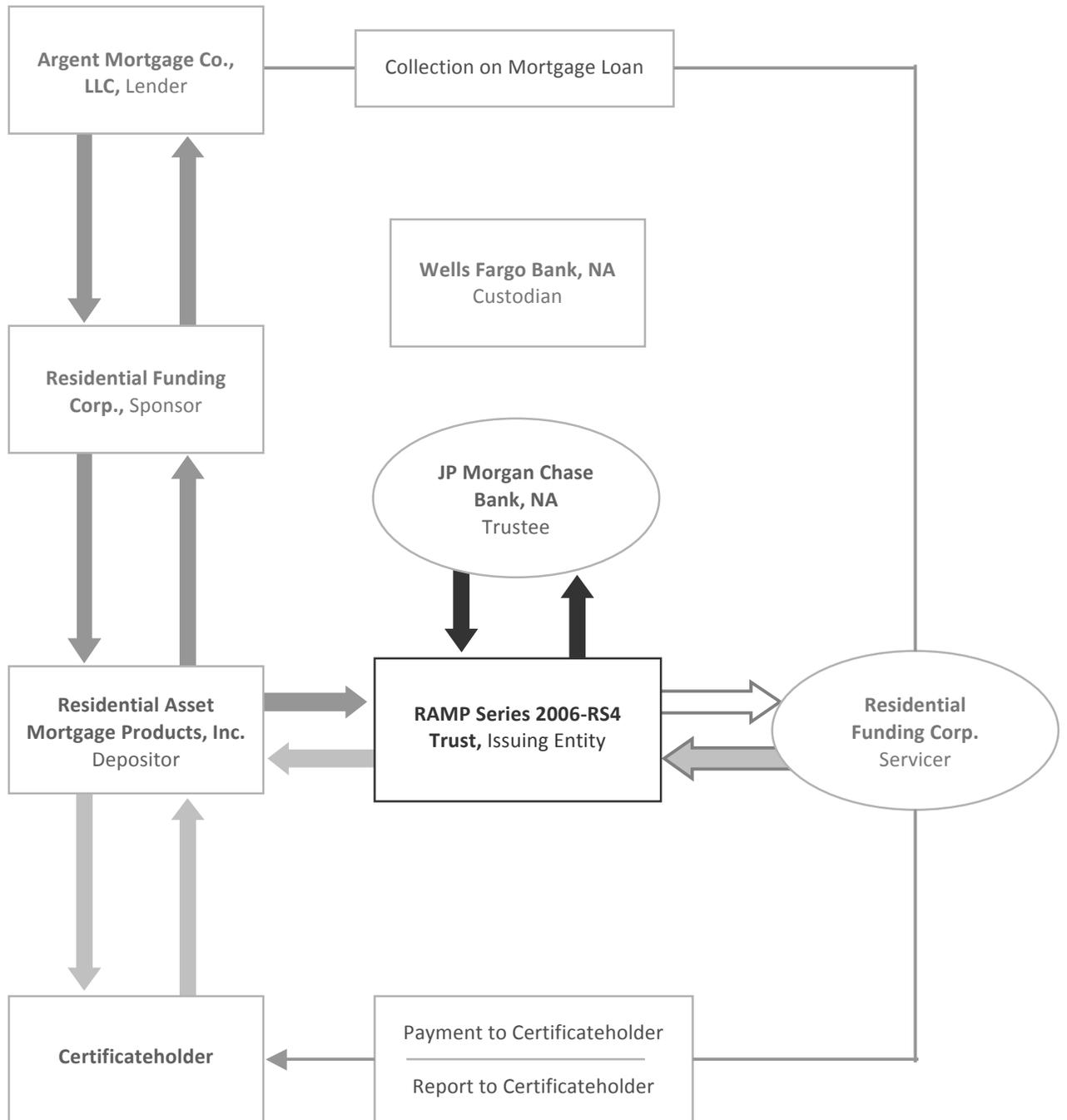
Distribution Summary Report for July 25, 2006 distribution. <http://www.secinfo.com/d19Hmb.v7.d.htm>

CUSIP stands for Committee on Uniform Securities Identification Procedures. This committee developed a system, implemented in 1967, of identifying securities, more specifically U.S. - and Canadian-registered stocks and U.S. government bonds.

A CUSIP number consists of nine characters, both letters and numbers, which uniquely identify the issuer and the type of security. The first six characters identify the issuer and are assigned numerically; the seventh and eighth characters, which can be alphabetic or numeric, identify the type of issue; and the last digit, which is numeric, is used as a check digit.

## A Diagram for this Securitization

The following diagram illustrates, in simple theoretical terms, the flow of transactions in a typical securitization trust as they would have affected each party that has a role in it.



The transactions shown in the foregoing diagram are explained as follows (this discussion only involves) transactions that affected or could have affected the subject Promissory Note and Mortgage, or Deed of Trust, or Security Deed from the date of granting up to and including those pertaining to the securitization.

Symbol	Transaction Description
	<p>The originating lender transfers the mortgage to the seller/sponsor. It is only through the seller or sponsor from which the depositor acquires the mortgage loan for the trust.</p>
	<p>The depositor transfers the loan to the trust, represented by the trustee.</p>
	<p>The trust passes information on the loan to the master servicer for purposes of collection on the mortgage loans (or foreclosure, if necessary).</p>
	<p>The master servicer remits collections to the trust.</p>
	<p>The trustee performs fiduciary duties for the trust.</p>
	<p>The certificates are sold to and bought back from the certificateholders.</p>

# MERS

## About MERS

Mortgage Electronic Registration Systems, Inc. (MERS) is an American privately-held company that operates an electronic registry designed to track servicing rights and ownership of mortgage loans in the United States.

When MERS is a party in the security instrument it would be described as acting solely as nominee for the lender. MERS was established in order to facilitate the recording of security instruments with the idea that it would also be the mortgagee or beneficiary or grantee of record.

As nominee for the lender, MERS would assign security instruments to various entities even if it is not a party in the debt instrument. Some of these assignments were made in favor of securitization trusts and some were in favor of the loan servicers who were servicing the loans on behalf of the trusts. In most of these instances, the assignments were done in order to facilitate foreclosures.

In most security instruments in which MERS is a party, the authority granted by the lender to MERS would be limited to acts that would protect the interest of the lender in case the borrower fails on his or her promise to pay. This might include the right to foreclose (or the right to assign the security instrument to the party initiating the foreclosure). Since the securitization trust would be the foreclosing party, MERS would thus assign the security instrument in favor of the trust. However, securitization usually comes several years ahead of foreclosure and so it would appear that the security instrument was assigned by MERS in order to securitize the loan (which it has no authority to do) and not to protect the rights of the lender (which it has).

The question of what powers have been granted by the lender to MERS as nominee (which is similar to being the *agent*) and as mortgagee, beneficiary, or grantee (which is similar to being the *principal*), may have not been fully clarified to this day. Whether MERS acted as principal or as agent there is no act by MERS that would be rendered invalid if that act had been confirmed by the lender. The validity of any act that MERS would execute would be resolved along the principle that “the security instrument follows the debt instrument, and not conversely.” In other words, for every assignment of the security instrument that MERS would execute, there should be a corresponding endorsement of the note by the lender.

## MERS & the Subject Loan and Mortgage

### MERS & the Debt Instrument

MERS is not a party in the subject Fixed Rate Note.

### MERS & the Security Instrument

MERS is not a party in the subject Mortgage. This mortgage is not registered with the MERS® System.

## Robo-Signing

In the mortgage industry, robo-signing is the practice of an employee signing thousands of documents and affidavits without verifying the information contained therein. Some reports have revealed that one bank official signed off on almost 10,000 documents in one month. The practice calls into question the validity of thousands of mortgage assignments and foreclosures across the country.

### Robo-Signer

A robo-signer is a person in a legal document processing assembly line whose only task is to sign previously-prepared documents affecting title to real property in a robotic-like fashion without reading the documents or verifying the facts contained therein by reviewing primary source evidence. The robo-signer's mission is to expedite the documents' recordation in the public land records or in court proceedings. Additionally, robo signers regularly fail to establish or simply do not have the authority to execute these documents on behalf of the legal title holder or principal on whose behalf they purport to act.

### Surrogate Signer

A surrogate signer is a person who signs a legal document on behalf of and in the name of another without reading it or understanding the document's contents. Surrogate signers are not authorized to execute these documents on behalf of the legal title holder or principal on whose behalf they purport to act.

### Robo-Signing is Forgery

Forgery is the creation of a false written document or alteration of a genuine one, with the intent to defraud. Forgery consists of filling in blanks on a document containing a genuine signature, or materially altering or erasing an existing instrument. An underlying intent to defraud, based on knowledge of the false nature of the instrument, must accompany the act. <http://legal-dictionary.thefreedictionary.com/forgery>

### Findings

No evidence or allegation of robo-signing was found on the documents that were presented for this examination.

## The Chain of Title

### Definition

Chain of title refers to the history of passing of title ownership to real property from the present owner back to the original owner. A record of title documents may be maintained by a registry office or civil law notary. Chains of title include notations of deeds, judgments of distribution from estates, certificates of death of a joint tenant, foreclosures, judgments of quiet title, and other recorded transfers of title to real property. Chain of Title Law and Legal Definition. Retrieved August 17, 2013, from <http://definitions.uslegal.com/c/chain-of-title/>

Perfecting a chain of title requires full documentation. The chain of title itself has been rendered complicated with the introduction of the MERS® System and the advent of securitization. MERS may have been established for the purpose of simplifying documentation requirements. In a sense, it could be said that MERS helped fuelled securitization by eliminating (part of) the complexity in documentation, but as it turned out, it may have become its cause.

### MERS and the Chain of Title

The promissory note on a securitized loan should be endorsed by the originating lender to the trust's seller (or sponsor or responsible party, as the case may be), then by the seller to the trust's depositor, and by the depositor to the trust's trustee. Consequently, the security instrument should be assigned three times following the same chain.

The chain may be shortened to two steps, as when the originating lender is itself the seller, or when (as in earlier trusts), the trust has no seller or sponsor, in which case, the loan is sold directly by the lender to the depositor.

If MERS is a party in the security instrument it would have been the party to execute the first assignment, consequent to the lender's endorsement of the note to the seller. MERS ceases to be a nominee of the lender or mortgagee or beneficiary or grantee once it has executed the first assignment. Therefore, taking this and the chain of proper assignments required in securitization into consideration, MERS could not assign the security instrument directly to the depositor or to the trustee.

In the same manner, the lender would be the entity to execute the first endorsement of the note and then it loses its right to endorse the note any further. Taking this and the chain of proper endorsements required in securitization into consideration, the originating lender could not endorse the note directly to the depositor or to the trustee.

## The Sequence of Transactions

The sequence of the required and the actual transactions of the subject loan and security instruments can be traced as follows:

Seq. No.	Date	Promissory Note	Mortgage
1	March 10, 2006	Loan Granting ██████████ Borrower Argent Mortgage Co., LLC Originating Lender	Execution of Deed ██████████ Borrower Argent Mortgage Co., LLC Originating Lender & Mortgagee
2	June 28, 2006	Endorsement, Securitization Argent Mortgage Co., LLC as Originating Lender, Endorser Residential Funding Corp. as Sponsor, Endorsee	Assignment, Securitization Argent Mortgage Co., LLC as Originating Lender, Assignor Residential Funding Corp. as Sponsor, Assignee
3	June 28, 2006	Endorsement, Securitization Residential Funding Corp., as Sponsor, Endorser Residential Asset Mortgage Products, Inc. as Depositor Endorsee	Assignment, Securitization Residential Funding Corp. as Sponsor, Assignor Residential Asset Mortgage Products, Inc. as Depositor Assignee
4	June 28, 2006	Endorsement, Securitization Residential Asset Mortgage Products, Inc. as Depositor Endorser JP Morgan Chase Bank, NA as Trustee, Endorsee	Assignment, Securitization Residential Asset Mortgage Products, Inc. as Depositor Assignor JP Morgan Chase Bank, NA as Trustee, Assignee
5	(Recorded on) October 1, 2008		Assignment of Mortgage Residential Funding Co., LLC Previous Lender LNV Corp., New Lender

## Explanation on the Sequence

### 1, Loan Granting and Execution of Deed

The subject loan was granted on March 10, 2006. The Adjustable Rate Note names Robert Allison as the borrower and Argent Mortgage Co., LLC as the originating lender. The Mortgage was executed on the same date. The parties are the borrower and the originating lender. MERS is not a party in this security instrument.

### 2, Endorsement and Assignment in Securitization from Originating Lender to Sponsor

The Adjustable Rate Note has been endorsed by Argent Mortgage Co., LLC, the originating lender to Residential Funding Corp., the sponsor. Likewise, the Mortgage has been assigned by the originating lender to the sponsor.

### 3, Endorsement and Assignment in Securitization from Sponsor to Depositor

The Adjustable Rate Note should have been further endorsed by Residential Funding Corp., the sponsor to Residential Asset Mortgage Products, Inc., the depositor. Likewise, the Mortgage should have been assigned by the sponsor to the depositor.

These endorsement and assignment are required in the Pooling and Servicing Agreement which states that:

(b) In connection with such assignment, and contemporaneously with the delivery of this Agreement, the Depositor does hereby deliver to, and deposit with, the Trustee, or to and with one or more Custodians, as the duly appointed agent or agents of the Trustee for such purpose, the following documents or instruments with respect to each Mortgage Loan so assigned:

(i) The original Mortgage Note, endorsed without recourse to the order of the Trustee and showing an unbroken chain of endorsements from the originator thereof to the Person endorsing it to the Trustee;

(ii) The original Mortgage, with evidence of recording indicated thereon;

(iv) The original recorded assignment or assignments of the Mortgage showing an unbroken chain of title from the originator to the Person assigning it to the Trustee with evidence of recordation noted thereon or attached thereto. Section 2.01, Conveyance of Mortgage Loans, page 51, Pooling and Servicing Agreement, abridged. <http://www.secinfo.com/dsvrn.v5j8.d.htm#3vfk>

These endorsement and assignment should have been complied on or before September 28, 2006, or three months after the trust's closing date of June 28, 2006, in order for the loan to be classified as a qualified mortgage, which is defined as follows:

For any obligation to qualify for inclusion into a REMIC, it must be a qualified mortgage as it is defined in the Internal Revenue Code, Section 860G, paragraph a-3, viz.;

“A ‘qualified mortgage’ means any obligation which is principally secured by an interest in real property and which is transferred to the REMIC on the start-up day in exchange for regular or residual interests in the REMIC, or is purchased by the REMIC within the three-month period beginning on the start-up day.”

[http://www.securitizationtax.com/AppendixB\\_CodeandRegulations.pdf](http://www.securitizationtax.com/AppendixB_CodeandRegulations.pdf)

#### 4, Endorsement and Assignment in Securitization from Depositor to Trustee

The Adjustable Rate Note should have been endorsed by Residential Asset Mortgage Products, Inc., the depositor, to JP Morgan Chase Bank, NA, the trustee. Likewise, the Mortgage should have been assigned by the depositor to the trustee.

These endorsement and assignment are required in the Pooling and Servicing Agreement for the same reason mentioned in Sequence No. 3.

#### 5, Assignment of Mortgage

On October 1, 2008, there was a recorded Assignment of Mortgage. This document names Residential Funding Co., LLC as the previous lender and LNV Corp. as the new lender.

# Foreclosure

## Definition

Foreclosure is the procedure by which a party who has loaned money secured by a mortgage or deed of trust on real property (or has an unpaid judgment), forces the sale of the real property to recover the money due, unpaid interest, plus the costs of foreclosure, after the debtor fails to make payment. Foreclosure Law and Legal Definition. Retrieved December 11, 2013, from <http://definitions.uslegal.com/f/foreclosure/>

## Types of Foreclosure

There are two types of foreclosure, namely, judicial and extra-judicial. Both types are practiced in some states, but states have different prevailing ways of foreclosing as there are types of security instruments. Generally, judicial foreclosures apply to mortgages while extra-judicial foreclosures apply to deeds of trust. A holder of a deed of trust might opt for judicial foreclosure if a deficiency judgment is to be sought.

### Judicial Foreclosure

Judicial Foreclosure is a judgment by a court in favor of foreclosure of a mortgage or deed of trust, which orders that the real property which secured the debt be sold under foreclosure proceedings to pay the debt. The party suing probably has chosen to seek a judicial foreclosure rather than use the foreclosure provisions of the mortgage or deed of trust. Usually this move is made to get a "deficiency judgment" for any amount still owed after the foreclosure sale. In many states (such as California) a foreclosure on the deed of trust limits the recovery to the amount of sale proceeds (sales price minus other debts), so a lawsuit for judicial foreclosure may help the party recover the total money owed to him/her if it was secured by the debtor's real property. Judicial Foreclosure. <http://legal-dictionary.thefreedictionary.com/judicial+foreclosure>

### Extrajudicial or Non-Judicial Foreclosure

Extrajudicial or non-judicial foreclosure is a foreclosure under a power of sale in a mortgage. It enables the lender to give the appropriate notices required under state law and then sell the mortgaged property to the highest bidder, which could be the lender itself. Non-judicial Foreclosure. <http://financial-dictionary.thefreedictionary.com/nonjudicial+foreclosure>

In non-judicial foreclosure states, lenders can have a home in foreclosure auctioned without going to court. Borrowers have to bring a lawsuit against the bank to have the process stopped in court. States that have a non-judicial foreclosure process typically use deeds of trust to show a lien on a home. In a few small cases, mortgages may be used that contain a

specific Power of Sale clause. But in the majority of states that used non-judicial foreclosure, deeds of trust are used instead of mortgages.

Deeds of trust act very similar to mortgages in that they record a lien against a property when homeowners borrow money to purchase a home. However, they contain what is known as a Power of Sale clause, which gives the lender the right to sell the house if the loan goes into default. How the Non-Judicial Foreclosure Process Works. <http://blog.foreclosurefish.org/how-the-nonjudicial-foreclosure-process-works/>

Foreclosure transactions are invariably tied to issues pertaining to securitization, MERS, the chain of title, and robo-signing. The documents that were presented have been examined with the end in view of determining how certain violations and flaws under each of these related transactions could have resulted in possible flaws in foreclosure.

### Foreclosure Transactions

As of June 4, 2014, no action has yet been initiated in order to foreclose on the property that was mortgaged to secure the note on the subject loan based on the documents that were presented for examination.

The Voluntary Liens Report for the mortgaged property records no foreclosure transactions pertaining to this mortgage.

## Examiners' Comments

### Promissory Note

#### Definition

A promissory note is a written promise to pay a debt. It is an unconditional promise to pay on demand or at a fixed or determined future time a particular sum of money to or to the order of a specified person or to the bearer. <http://definitions.uslegal.com/p/promissory-notes/>

#### Parties to a Promissory Note

A promissory note basically has two parties namely, the maker and the payee. The maker, or debtor, is the person who promises to pay the amount stated in the note. The payee, or creditor, is the person to whom the amount is payable. A promissory note may also have a holder. He is the payee or the person to whom the promissory note might have been endorsed. <http://www.scribd.com/doc/61733200/11/Parties-to-a-Promissory-Note>

#### Endorsement

A promissory note can be transferred by endorsement. It means the writing of one's own name on the instrument with the intention of transferring the rights therein. In order to be valid, an endorsement must be on the face of, or on the back of, or on a separate piece of paper attached to the note, called an allonge. It must be signed by the endorser, made for the full value of the note, and the note must be delivered to the endorsee. <http://www.scribd.com/doc/61733200/11/Parties-to-a-Promissory-Note>

#### The Subject Promissory Note

The promissory note on the loan under examination is a Adjustable Rate Note that was signed on March 10, 2006. The parties are [REDACTED], the borrower and Argent Mortgage Co., LLC, the originating lender. It has been endorsed by the originating lender.

The subject Fixed Rate Note and the parties thereto fall within the foregoing definitions, as applicable, and is considered to be governed under the applicable law.

# Mortgage

## Definitions

### Secured Transaction

“A secured transaction is defined as any loan or credit in which property is pledged as security in the event payment is not made.” Hill, G. and Hill, K. Secured Transaction. <http://legal-dictionary.thefreedictionary.com/secured+transaction>

### Security Interest

“A security interest arises when, in exchange for a loan, a borrower agrees in a security agreement that the lender (the secured party) may take specified collateral owned by the borrower if he or she should default on the loan.” Security Interest. [http://www.law.cornell.edu/wex/secured\\_transactions](http://www.law.cornell.edu/wex/secured_transactions)

### Mortgage

“A legal document by which the owner transfers to the lender an interest in real estate to secure the repayment of a debt, evidenced by a mortgage note. When the debt is repaid, the mortgage is discharged, and a satisfaction of mortgage is recorded with the register of deeds in the county where the mortgage was recorded.” West’s Encyclopaedia of American Law. Mortgage. <http://legal-dictionary.thefreedictionary.com/mortgage>

## Parties to a Mortgage

“The party who borrows the money and gives the mortgage (the debtor) is the mortgagor; the party who pays the money and receives the mortgage (the lender) is the mortgagee. The mortgage must be executed according to the formalities required by the laws of the state where the property is located. It must describe the real estate and must be signed by all owners, including non-owner spouses if the property is a homestead. Some states require witnesses as well as acknowledgement before a Notary Public.

The mortgage note, in which the borrower promises to repay the debt, sets out the terms of the transaction: the amount of the debt, the mortgage due date, the rate of interest, the amount of monthly payments, whether the lender requires monthly payments to build a tax and insurance reserve, whether the loan may be repaid with larger or more frequent payments without a prepayment penalty, and whether failing to make a payment or selling the property will entitle the lender to call the entire debt due.” West’s Encyclopaedia of American Law. Mortgage. <http://legal-dictionary.thefreedictionary.com/mortgage>

## Governing Laws

In the United States, the law governing secured transactions in general and mortgages in particular is Article 9 of the Uniform Commercial Code. <http://www.law.cornell.edu/ucc/9>

## The Subject Mortgage

The subject Mortgage was executed on March 10, 2006. The parties are the borrower and the originating lender. MERS is not a party in this security instrument.

The subject Mortgage and the parties thereto fall within the foregoing definitions, as applicable, and is considered to be governed by the applicable law.

## Securitization

### Definition

Securitization is the financial process of pooling receivables, such as residential mortgage loans, and using them as a guarantee for the issuance of investment certificates which are the sold to the investing public. (The business of securitization is handled by a special-purpose vehicle (SPV) which, in the United States, usually takes the form of a trust.

### REMIC

A securitization SPV may elect to qualify for status as a REMIC. A REMIC (Real Estate Mortgage Investment Conduit) is a corporation, trust, partnership, or a segregated pool of assets that qualifies for special tax treatment under the Internal Revenue Code of 1986, as amended. <http://thepatriotswar.com/index.php/what-a-remic-is-and-why-you-should-care/foreclosure-research/>

### REMIC; Qualified Mortgage

For any obligation to qualify for inclusion into a REMIC, it must be a qualified mortgage as it is defined in the Internal Revenue Code, Section 860G, paragraph a-3, viz.;

A “qualified mortgage” means any obligation which is principally secured by an interest in real property and which is transferred to the REMIC on the start-up day in exchange for regular or residual interests in the REMIC, or is purchased by the REMIC within the three-month period beginning on the start-up day. . .”

[http://www.securitizationtax.com/AppendixB\\_CodeandRegulations\\_.pdf](http://www.securitizationtax.com/AppendixB_CodeandRegulations_.pdf)

### Bankruptcy Remoteness

The assets of the trust have to be *bankruptcy-remote* in order to protect them from claims against an originator who might go bankrupt. In order to achieve this, each mortgage loan has to be transferred by means of a *true sale*. This means that a loan has to be sold by the originator to the sponsor, by the sponsor to the depositor, and by the depositor to the trustee. This also means that the Promissory Note has to be endorsed three times following this route. The same applies to the assignments of the security instrument.

A true sale also provides the trust with the status of a *holder in due course*. A holder in due course is the holder of an instrument if the instrument when negotiated does not bear evidence of forgery or alteration; and the holder took the instrument for value, in good faith, without notice that the instrument is overdue or has been dishonored, or that the instrument contains an unauthorized signature or has been altered, or of any claim to the instrument

described in Section 3-306 of the Uniform Commercial Code, or that any party has a defense or claim in recoupment described in Section 3-305(a). <http://www.law.cornell.edu/ucc/3/3-302.html>

## The Securitization of the Subject Loan

The subject loan has been securitized into RAMP Series 2006-RS4 Trust. The Adjustable Rate Note and accompanying Mortgage should be in the possession of the securitization trust trustee and the chain of endorsements and assignments should have been properly documented.

The trust existed and operated according to the guidelines set forth in its Prospectus and Prospectus Supplement and Pooling and Servicing Agreement. It issued certificates bearing their assigned CUSIP numbers. Moreover, it filed the following documents with the Securities and Exchange Commission:

- Annual Report Under Form 10-K for the year ended December 31, 2006, on March 30, 2007. This document reports that the servicer has complied with the servicing criteria of the trust.
- Notice of Suspension of Duty to File Reports under Form 15-15D, on January 12, 2007. This document reports that as of the date of the report, there were three certificateholders on record.

As a securitized loan, it is subject to the terms of the Pooling and Servicing Agreement dated June 1, 2006 that was entered into by Residential Asset Mortgage Products, Inc. as depositor, Residential Funding Corp. as master servicer, and JP Morgan Chase Bank, NA as trustee.

The pooling and servicing agreement specifically and absolutely dictates that all mortgage loans selected for inclusion into this specific trust named RAMP Series 2006-RS4 Trust must be conveyed to JP Morgan Chase Bank, NA, the trustee by Residential Asset Mortgage Products, Inc., the depositor, through a true purchase and sale conveyance.

The depositor in the securitization chain must purchase the mortgage loans from the seller, which means in the instant case that Residential Asset Mortgage Products, Inc., the depositor would have purchased the subject mortgage loan from Residential Funding Corp., the sponsor, and then the depositor would have conveyed all rights, title and interest in the subject mortgage loan to JP Morgan Chase Bank, NA, the trustee for the benefit of the certificate holders of the trust, RAMP Series 2006-RS4 Trust

Accordingly, the promissory note should have been endorsed by Argent Mortgage Co., LLC, the originating lender to Residential Funding Corp., the sponsor. The sponsor should have endorsed the note to Residential Asset Mortgage Products, Inc., the depositor, and the depositor should have endorsed the note to JP Morgan Chase Bank, NA, the trustee.

The subject loan was securitized. However, there were no documents to show the compliance of the series of endorsements and assignments that

- is required by the PSA, and
- each constitutes a true sale from the originating lender and sponsor to the depositor, and from the depositor to the trustee in order to (a) qualify the trust as a REMIC and (b) give the trust the status of a holder in due course that would protect it against adverse claims from the loan's originator.

## Chain of Title

### Definition

Chain of title refers to the history of passing of title ownership to real property from the present owner back to the original owner. A record of title documents may be maintained by a registry office or civil law notary. Chains of title include notations of deeds, judgments of distribution from estates, certificates of death of a joint tenant, foreclosures, judgments of quiet title, and other recorded transfers of title to real property.

<http://definitions.uslegal.com/c/chain-of-title/>

### Sequence of Transactions

The sequence of the required and actual transactions is presented on page 19. The sequence is summarized and the deficiencies are noted as follows:

#### 1, Loan Granting and Execution of Deed

These transactions were completed.

#### 2, Endorsement and Assignment by Lender to Sponsor

These transactions were completed.

#### 3, Endorsement and Assignment by Sponsor to Depositor

These transactions are required but were not documented.

#### 4, Endorsement and Assignment by Depositor to Trustee

This transaction is required but is not documented.

#### 5, Assignment of Mortgage

This assignment has no corresponding endorsement of the Adjustable Rate Note.

The Adjustable Rate Note has been endorsed and the Mortgage has been assigned to the sponsor of the securitization trust. Thus the required chains of endorsements and assignments were not completed.

Additionally, the Mortgage was assigned by the securitization trust sponsor to another entity. This assignment caused the Mortgage to be separated from the Adjustable Rate Note.

The loan appears to have been securitized. The burden of proof now lies with JP Morgan Chase Bank, NA, the trustee of the securitizing trust to prove that it has possession of the both the Adjustable Rate Note and the Mortgage together with all the documents showing the compliance of the required chains of endorsements and assignments.