

The 1%'s Hand in the Afghan Murders

Exclusive: Army Sgt. Robert Bales stands accused of murdering 17 Afghan civilians, a crime that some trace to the financial pressures his family faced back home. However, to the rich financial swindlers, the ruining of Bales's family and many others is just another day's work, writes Mark Ames.

By Mark Ames

This past Thursday, a Modesto, California, man whose house was in foreclosure shot and killed the Sheriff's deputy and the locksmith who came to evict him from his condominium unit. Modesto authorities responded by sending 100 police and SWAT snipers to counter-attack, and it ended Waco-style, with the fourplex structure burning to the ground with the shooter inside.

It's not surprising that this should happen in Modesto: Last year the Central California city's foreclosure rate was the third worst in the country, with one in every 19 properties filing for foreclosure. The entire region is ravaged by unemployment, budget cuts, and blight, the only handouts that Modesto is seeing are the surplus military equipment stocks being dumped into the Modesto police department's growing arsenal.

The shooter who died was 45 years old and he appears to have lost his condominium over a \$15,000 home equity loan he took out almost a decade ago, owed to Bank of America. The condo was sold at an auction for just \$12,988 to a shady firm, R&T Financial, that doesn't even have a listed contact number. Too much for the former security guard, who barricaded himself in the condo which had been in the family for decades. He refused to walk out alive.

These "death by foreclosure" killings have been going on, quietly, around the country ever since the housing swindle first unraveled. Like the story of the 64-year-old Phoenix man whose daughter and grandson were preparing to move in with him after losing their home to foreclosure, only to get a knock on his door surprising him with an eviction notice on the house he'd owned for over 30 years. Bank of America foreclosed on him despite his attempts to work out a fair plan.

We now know that the same banks that had been bailed out over their subprime fraud disaster were, by the time this happened, headlong into another criminal scheme, this time foreclosure fraud. The fraud was effected both illegally and in bad faith on a scale so vast it's hard not to think that it was carried out by some marauding foreign army.

Anyway, the old man grabbed a .357 and a beer, walked outside into a sea of Phoenix cops and snipers, and fired his gun off until they cut him down in a hail of bullets.

Sometimes the “losers” in this class war make it easier on everyone else by killing themselves and setting themselves on fire as they’re being evicted, as one Ohio couple recently did. Others class war “losers” aren’t as cooperative, like a Florida man who was gunned down by police after he set his foreclosed townhouse on fire last year.

It’s exactly the sort of lopsided class war that Warren Buffett first officially acknowledged in 2006: “There’s a class war, all right, but it’s my class, the rich class, that’s making war, and we’re winning.”

Buffett is right to call it a one-way war, in both a metaphorical sense and in a literal sense, given the endless wars being waged for over a decade now, wars that are tied to the class wars at home.

Murdering Afghan Civilians

Nothing illustrates the interlinking between the class war at home and the imperial wars abroad more starkly than the example of Staff Sgt. Roger Bales, the Army sniper accused last month of killing 17 Afghan civilians, mostly women and children.

The Army is trying to pin it all on Sgt. Bales’s supposedly deranged mental state, but their version of events contradicts what the victims and eyewitnesses in the village have been telling the few reporters who have had a chance to actually interview them. They’re saying that they saw several American soldiers participating in the massacre, as well as a helicopter.

Whatever the case, whether alone or with others, most people familiar with the case agree that for some reason, Sgt. Bales “snapped.” Invariably they’re over-psychologizing why he “snapped”, the military has blamed it on everything from his supposedly troubled marriage, to strain or stress, to an alleged alcohol bender.

Less well-known or discussed is what happened to Sgt. Bales on the other front: the class war front. Three days before his shooting rampage, the house where Bales’s wife and two children lived in Tacoma, Washington, put up for a short sale, \$50,000 underwater. This was exactly what Sgt. Bales and his wife feared might happen if the Army forced him into a fourth battlefield deployment.

The last time Sgt. Bales deployed, to Iraq in August 2009, Bank of America foreclosed on the family’s rental property, a duplex that his wife had bought in

1999 that was also underwater. Within months of BofA taking their duplex, Sgt. Bales's Humvee hit an IED and flipped over, causing brain and head injuries. On a previous deployment to Iraq, Sgt. Bales had one of his feet partially blown off by a bomb.

Before being deployed to Afghanistan last year, he and his wife had been assured that the Army wouldn't force Sgt. Bales, a highly-decorated hero who'd already sacrificed his physical wellbeing and his family's financial health, back into combat.

Bales and his wife were planning their future as a career military family, on bases far from any combat zone, working up the Army's pay scale year by year. But then in March 2011, a year before Sgt. Bales's massacre, they were shocked and hurt by the Army's decision to deny him his standard promotion to Sgt. First Class, which came with a much-needed pay hike.

(Last year, President Barack Obama's Joint Chiefs of Staff chairman, Adm. Michael Mullen, said many of the austerity cuts would fall on soldiers' pay and benefits rather than slashing weapons programs and force levels, which he called the "relatively easy" thing to do.)

When Sgt. Bales learned he wouldn't get his promotion, his wife wrote on her blog: "It is very disappointing after all of the work Bob has done and all the sacrifices he had made for his love of his country, family and friends."

Kathilyn Bales comforted herself with the assurances they'd been given that at least her husband wouldn't be sent back into combat again, at least the family would be going together to one of the many non-warzone bases around the world. She wrote: "Who knows where we will end up. I just hope that we are able to rent out the house so we can keep it. I think we are both still in shock."

Then came the real shock: the Army sent Sgt. Bales back into the war zone, into Afghanistan. His wife would have to deal with the more than \$500,000 in mortgage debts on her own.

It was all timed perfectly: Last December, the month Sgt. Bales was deployed to Afghanistan, one of the subprime loans worth \$178,000, taken out in 2006, was timed to "reset" to as high as 10.8 percent interest, and call in its first full payment.

Joe Krumbach, former president of the Seattle Mortgage Bankers Association, reviewed this loan and the others sold to Sgt. Bales's wife while he was in Iraq, and denounced them as "unconscionable."

He told the Seattle Times, "The margins on these loans are disaster waiting to

happen” and admitted that mortgage lenders deliberately targeted military families like the Bales family, swindling them into signing onto far pricier refinancing loans “that benefited lenders and mortgage brokers” at the expense of vulnerable military families, as well as minorities and low-income borrowers.

Another local real estate businessman who specializes in short sales agreed, telling *Businessweek* that “we set them up.”

“It’s not an unfamiliar story, but it’s sad,” said Richard Eastern, a co-founder of Bellevue, Washington-based Washington Property Solutions, which negotiates short sales. “We’re going to send you off to war but we’re going to foreclose on your home.” He said many lenders offered loans they knew borrowers couldn’t repay. “And it’s not just soldiers, it’s everybody. *We set them up.*”

The extent to which mortgage lenders and banks deliberately preyed on American military families is made clear by this little-known fact: the Tacoma region, home to Fort Lewis-McChord, the largest base in the Western United States and home to 100,000 military personnel and family, suffered one of the worst predatory subprime loan epidemics in the country, an anomaly in the state of Washington. According to Richard Eastern’s firm, roughly half of all home sales in that region are either foreclosures or short sales. As early as 2007, the *Wall Street Journal* singled out Tacoma as one of the nation’s worst affected regions from subprime plunder.

Who’s at Fault?

So who did this? Who, in the class war equation, waged and “won” this class war on Sgt. Bales’s family, and so many other military families? What are their names? Where are they now?

As a matter of fact, there is a name: Paramount Equity Mortgage. And there is a name: Hayes Barnard, the CEO and co-founder of Paramount Equity. He lives in Roseville, California. In many ways, the story of the “winner” in this class war story is the most revealing, and enraging part of all.

Paramount Equity was founded in 2004, and quickly spread across the Western states, issuing some \$8 billion in loans. Paramount Equity’s subprime predation really took off in 2006, right after the Bush Administration’s Department of Housing (HUD) and the FHA qualified Paramount Equity government insurance on its mortgages.

Almost immediately, Paramount Equity flooded the Tacoma region’s radio airwaves with deceptive ads hard-selling refinancing loans, featuring the voice of CEO Hayes Barnard promising the lowest rates, the most honest dealing, giving his personal guarantee.

However, a raft of fraud and deception charges followed. In 2008, the Washington State Department of Financial Institutions announced it was charging Paramount Equity Mortgage with deceptive lending practices and revoking its license.

Paramount stood accused of charging and collecting unearned fees, charging consumers to buy down interest rates without actually reducing the rate, failing to make required disclosures and making state and federally-required disclosures in a deceptive manner.

“Paramount failed to make proper disclosures in almost every loan we reviewed,” said Deb Bortner, director of DFI’s Division of Consumer Services. “Washington [state] has many licensed mortgage brokers who comply with the law. In today’s market, we simply do not need a mortgage broker engaged in deceptive conduct doing business in this state.”

The state’s charges also singled out Hayes Barnard for “engaging in a deceptive advertising campaign.”

As is so often the case, there’s far too little reported specifics on the actual nature of the fraud and deception. Sometimes you have to look in the comments sections on real estate or legal blogs from the affected region. Like this comment left on a marketing blog posting calling out Paramount Equity’s “lies”:

“I apologize if this is maybe a little off topic. I refinanced with Paramount back in 2004. Come 2009, my loan adjusted and I was left with no choice but to walk away with my 3 kids and stay at home wife. I had to rely on credit cards the last couple of years, even charging a couple mortgage payments.

“We ended up filing ch. 7 and we are now renting and have ZERO (if not worse) credit. Today (Sept. 27, 2011) an auditor came to my door and gave me some info and verified other info regarding B-of-A filing a PMI [private mortgage insurance] claim. Sorry so long winded.

“One of the docs he showed me was of my stated income which was double DOUBLE my income at the time. I NEVER would put myself into such a situation and lied. I honestly believe the number was changed and it was burried [sic] in an inch of docs I had to sign and I just didn’t see it.

“I’m not claiming complete innocence, because after all, I DID sign everything and agreed to the loan (which I didn’t know was a negative amortization loan. Hell, I didn’t even know what that meant). Now, we’re stable, but my financial future and creditworthiness is screwed. I barely got a \$500 limit credit card at 17%.

“Do I have any type of recourse here? I’m not frivolous, but I am at a loss. In fact I LOST everything. Thanks in advance.”

These sorts of stories can be found everywhere, and they repeat themselves over and over. And what’s most galling of all is that these plundering crooks preyed on those most vulnerable, military families suffering from the chaos of war, minorities, low-income people, to generate their fast riches, backed with government guarantees.

Getting Off Easy

For all the swindling and destruction, including the “unconscionable” exploding loans Paramount Equity foisted on Sgt. Bales’s wife while he was off fighting in Iraq, the state of Washington settled in 2009 with what can only be described as a wrist-massage: A fine of a mere \$392,000, no admission of guilt.

Paramount even got to keep its license to operate. This, despite the incredible admission in the signed consent that “Paramount admits that during the relevant time period, Paramount did not maintain books and records.”

This is what a lopsided class war looks like: The financial fraudsters, the One Percenters, fleece the unsophisticated locals like 19th century Europeans plundering far-away aborigines.

One victim of Paramount commented bitterly on the settlement:

“We have not one, but TWO ugly loans which are breaking us from good ol’ Paramount Equity Mortgage. The citizens who signed these toxic documents are suffering EVERY DAY and losing their homes because Matt and Hayes need to make their yacht payment.

“Our financial lives, that took 30 years to build, have been crushed because of the deception that occurred in their office (where no employee appeared to be over 40 years of age) I remember asking at the closing table, ‘Does anyone have gray hair in this building??!!’ It was unnerving. The parking lot looked like a BMW Sales Lot.

“Soon, I intend to stop crying about our mortgages, as I have been doing over the last THREE YEARS And Washington State Department of Financial Institutions: SHAME ON YOU. Shame on you.”

Two “ugly loans” from Paramount Equity are what broke Kathilyn and Roger Bales.

The end result: Hayes Barnard and Paramount Equity Capital are doing better than ever. In 2009, Hayes Barnard was named “Entrepreneur of the Year” by the Roseville Chamber of Commerce, the wealthy Sacramento suburb where Paramount

Equity Mortgage is headquartered. In 2010, the Sacramento Business Journal honored him as one of Sacramento's "40 under 40" leaders.

The big payoff came last year, when one of the world's largest infomercial firms, Guthy-Renker, bought a "significant equity position" in Hayes Barnard's company. You might know Guthy-Renker as the company that makes all those annoying Tony Robbins infomercials and Susan Lucci skincare infomercials.

Guthy-Renker's also owns an equity stake in RealtyTrac, the leading foreclosure intelligence source. That's good news for Hayes Barnard, because it means he'll be able to wet his beak on the aftermath of the subprime plunder by getting first dibs on the best foreclosure deals. It's a win-win.

In this degenerate 21st Century version of America, Hayes Barnard exemplifies everything that the current system rewards. In the anti-meritocracy we live in, the sociopaths and crooks are the "winners." Being a "winner" means you get quoted adoringly in a Sacramento Business Journal Q&A, spouting out the blackest of unintentional black humor:

"As a younger professional, what is the biggest challenge you face?"

"As a young professional, the biggest challenge I face is finding the right balance between raising my three children all under 3 years old, being a supporting husband and leading my team as a CEO of three companies. ... Achieving true success is to give, give, give and help as many people as you can while leading for your family, employees and community."

That's how the class war "winners" rub it in on the rest of us, especially their victims. How can you function after reading such self-serving drivel, particularly if you're one of the victims?

As for the "losers" in this class war: Sgt. Roger Bales's wife and children are ruined. They have no home; they only own debts to the tune of hundreds of thousands of dollars, debts owed for life to the Hayes Barnards of this country. The "winner", the swindler, is a community hero.

As for Sgt. Bales whom the Army accuses of "snapping" for no good reason, accusing him of being a drunk, or of mental weakness, incapable of handling his marriage or the stress of combat he might even be put to death. He now sits in Fort Leavenworth military prison, charged with the murder of 17 Afghan civilians.

The way the One Percenter "winners" see this story, it's all proof that the system is working perfectly.

As the National Journal reported, “Nearly all of *National Journal’s* National Security Insiders agree that the military justice system can conduct a fair trial for Staff Sgt. Robert Bales.”

Mark Ames is editor of The eXiled Online and author of the book *Going Postal: Rage, Murder and Rebellion from Reagan’s Workplaces to Clinton’s Columbine* and co-author with Matt Taibbi of *The eXile: Sex, Drugs and Libel in the New Russia*.
