

THE STATE OF SOUTH CAROLINA

In The Court of Appeals

APPEAL FROM OCONEE COUNTY

Court of Common Pleas

Steven C. Kirven, Master-in-Equity

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OCT 30 2017

Case No. 2011-37-1056

Appellate Case No. 2017-000886

SC Court of Appeals

Federal National Mortgage Association, Respondent,

v.

John D. Dalen, Julie A. Dalen and Wawtockace Hills  
Property Owners Association, Defendants

Of whom John D. Dalen and Julie A. Dalen are the Appellants

And

John D. Dalen and Julie A. Dalen, Appellants,

v.

Bank of America, N.A., Successor by merger to  
BAC Home Loans Servicing, L.P. f/k/a  
Countrywide Home Loans Servicing, L.P., Respondent

REPLY BRIEF OF APPELLANTS

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## TABLE OF AUTHORITIES

### Cases

Bank of America, N.A. v. Draper, 405 SC 220-22, 746 S.E. 2d 478, 481, 482 (Ct. App. 2013) Servicer entitled to foreclose... Court presumes Assignment of Mortgage was proper. This case appears on page 1.

Bank of America, N.A. vs. Grisel Reyes-Toledo, Case No. SCWC –15 – 0000005 (28 Feb. 2017) In the Supreme Court of the State of Hawaii, this case raises issues of standing and appellate jurisdiction that pertain to foreclosure proceedings. This case appears on pages 2 and 12.

Everhome Mortgage Co. v. Rowland, No. 07AP-615, 2088 WL 747698, at \*3 (Ohio Ct. App. 2008) Relates to the genuine issue of material fact as to how and when the bank became holder of the note and mortgage, cited on page 4 (b).

Farm Bureau Ins. Co. of Ark. v. Running M. Farms, Inc. 237 S.W.3d 32, 36 (Ark. 2006). “Without standing, a party is not properly before the court....”  
Cited on page 4 (c).

First Union Nat’l Bank v. Hufford, 767 N.E. 2d 1206, 1210 (Ohio Ct. App. 2001)  
Bank did not produce “sufficient evidence ... its right to the note or mortgage”  
on page 4 (b).

Haines v. Kerner, 404 U.S. 519 (1972)

Courts should look to substance rather than form, as cited on page 3.

Hoss v. Fabacher 578 S.W.2d 454 (1979) Tex 1<sup>st</sup> D Ct App

Discusses the UCC as it relates to incomplete negotiable instruments on pages 9 – 11.

Joytime Distributors & Amusement Co., Inc. v. State, 338 S.C. 634, 639, 528 S.E. 2d 647, 649 (10/14/1999).

“It is fundamental in American jurisprudence that in order to bring a lawsuit against an opposing party, one must have standing to do so. Without standing, a party is not properly before the court to advance a cause of action.” See page 4 (c).

US Bank National Association vs. Ibanez (SJC – 10694), Massachusetts Supreme Court. Relates to the determination of real party of interest through perfection of chain of title, cited on page 3 (1).

Wash. Mut. Bank v. Green, 806 N.E.2d 604 (Ohio Ct. App. 2004)

Holding that Plaintiff had not sufficiently demonstrated that it was the holder of the note and mortgage and thus summary judgment was inappropriate. Cited on page 4, (1) (c).

### Statutes

Uniform Commercial Code – Negotiable Instruments:

SC Codes, Ann. Title 36, Sec. 36 - 3

This statute appears on page 3, (1).

SC Codes Ann. § 36-3-301

Person entitled to enforce the instrument includes the holder of the instrument -- page 4. The “holder” of the instrument is defined, cited on page 5.

S.C. Codes Ann. § 36 - 3

Uniform Commercial Code is described; see pages 5 through 11.

15 USC § 1629 (g)

Debt validation, noted on page 8.

### **Statement of Issues on Appeal**

1. Was it error for the Master to proceed with trial due to plaintiff's lack of standing and therefore a lack of subject matter jurisdiction?
2. Was there fraud upon the Court due to fraudulent Assignment of Mortgage?
3. Did the proceedings violate due process of law?

Defendants were denied jury trial and court proceeded without a competent fact witness, and without subject matter jurisdiction.

## STATEMENT OF FACTS OF THE CASE

The Appellants stand by their Statement of Issues on Appeal in their Initial Brief, and contend that these issues are preserved for appeal. The Respondents contend the only issues on appeal apply to BANA's Renewed Motion for Summary Judgment. Throughout this case in the trial court, and now in the Appellate Court, BANA has repeatedly argued that even if it was fraud, "it doesn't matter." BANA believes that, even if the assignments are improper and securitization occurred, those facts are irrelevant because BANA held the note and South Carolina courts have ruled that the homeowners have no rights to challenge assignments. BANA repeatedly quotes the Draper case. *See Bank of America, N.A. v. Draper, 405 S.C. at 220-22, 746 S.E. 2d at 481-82 (Ct. App. 2013).*

BANA conveniently leaves out the fact that the Draper court stated that they were issuing their ruling presuming that the assignments were proper, as the defendants did not challenge the assignment in that case, leaving one to conclude that if the assignments had been challenged, the Draper case might have been decided differently. Also, the court implied that the defendants in that case could have challenged the assignments. It would seem that it would be ludicrous for any court to decide that improper assignments cannot be challenged. This would equally apply as well to the securitization of a note, which is extremely relevant because it forever changes the note into a security which cannot be converted back into a note.

Throughout the trial court's proceedings regarding this foreclosure action, the Appellants have been treated as though they were not competent to handle their own defense, repeatedly admonished that they should hire an attorney. Most of our arguments were discounted and/or ignored, particularly when the issue of securitization was raised. The Appellants do not believe that any of the judges involved in this case really understood securitization.

Initially, when we tried to find an attorney who understood securitization, we could find no one to take the case. Two and a half years later, we were confronted with a judge who told us that he would "grant summary judgment to the bank" if we did not hire an attorney to file a motion to deny summary judgment. We were backed into a corner, and looked again in order to comply and found William H. Sloan, Esq., who filed our Motion to Deny Summary Judgment, which was in fact denied on July 9, 2014 by Judge Alexander Macaulay. (*See: Order Denying Plaintiff's Motion for Summary Judgment.*) (R. pp. 6-8) After nearly two years with this attorney, not making any significant progress, we decided to return to handling the case ourselves, pro per.

Just days before the trial in this case, the Supreme Court of the State of Hawaii published an opinion of interest here. (*Bank of America v. Grisel Reyes-Toledo, Sup. Ct. of Hawaii, SCWC-15-0000005, dated February 28, 2017*) (R. pp. 1079 – 1106) This Hawaii case closely parallels our case, and raises many – if not all – of the issues that we have repeatedly raised throughout these proceedings.

The Supreme Court has ruled that defendants representing themselves without an attorney cannot be held to the same standards as attorneys, and the courts in these cases should look to the substance rather than the form. *See Haines v. Kerner 404 U.S. 519 (1972)*. The Appellants are a carpenter and a homemaker, stay-at-home mom/secretary. We have had to learn legal procedure along the way, and admittedly have made mistakes. These mistakes, however, should not preclude the Appellants from receiving justice. The facts of this case are clear:

- 1) A Massachusetts Supreme Court ruling cited as US Bank National Association vs. Ibanez (SJC – 10694), wherein it was ruled unanimously that for a bank to foreclose, it must demonstrate that it is the real party of interest through perfection of chain of title for both the Deed of Trust/mortgage and the Promissory Note. BANA'S Motion for Summary Judgment was denied on July 9, 2014 (R. pp. 6-8) because the judge found that there were issues of material fact. Judge Macaulay has also stated that South Carolina law required Plaintiff to prove it was the real party in interest through perfection of the chain of title from the originator to the party claiming the right to foreclose. (R. p. 323, lines 12-18) See S.C. Codes Ann. § 36 -3 (Title 36, Chapter 3, Commercial Code Negotiable Instruments). Evidence obtained through discovery admissions include:
  - a) That the loan was securitized (R. p. 517, answer #4), the loan was sold to a trust (R. pp. 528-534), and later removed from the trust. (R. p. 535) Plaintiff's version of the chain of title does not include these transactions. (R. pp. 536-539) Plaintiff has brought fraud upon the court with its purported chain of title, and the facts show this chain of title to be false. This is a genuine issue of material fact and summary judgment was inappropriate.

- b) In *Everhome Mortgage Co. v. Rowland*, No. 07AP-615, 2088 WL 747698, at \*3 (Ohio Ct. App. 2008) (holding that Plaintiff was not entitled to summary judgment because a genuine material issue of fact remained as to “how or when it became the holder of the note and mortgage”); *First Union Nat’l Bank v. Hufford*, 767 N.E.2d 1206, 1210 (Ohio Ct. App. 2001) (finding that the Plaintiff First Union National Bank did not produce “sufficient evidence explaining or demonstrating its right to the note or mortgage” other than “inferences and bald assertions”). This is a genuine issue of material fact and summary judgment was inappropriate.
- c) Standing to sue is a fundamental requirement in instituting an action *Joytime Distributors & Amusement Co., Inc. v. State*, 338 S.C. 634, 639, 528 S.E. 2d 647, 649 (10/14/1999). “It is fundamental in American jurisprudence that in order to bring a lawsuit against an opposing party, one must have standing to do so. Without standing, a party is not properly before the court to advance a cause of action.” *Farm Bureau Ins. Co. of Ark. v. Running M. Farms, Inc.* 237 S.W.3d 32, 36 (Ark. 2006). “Without evidence demonstrating the circumstances under which it received an interest in the note and mortgage, Everhome cannot establish itself as the holder.” *Everhome Mortgage Co. v. Rowland*, No. 07AP-615, 2008 WL 747698, at \*3 (Ohio Ct. App. 2008. See also *Wash. Mut. Bank v. Green*, 806 N.E.2d 604 (Ohio Ct. App. 2004) (holding that Plaintiff had not sufficiently demonstrated that it was the holder of the note and mortgage and thus summary judgment was inappropriate). BANA cannot or has not provided a true chain of title showing it is the PETE (Party Entitled To Enforce), but instead has “manufactured” a chain of title for the purpose of illegally foreclosing on our property.
- 2) The chain of title presented by BANA is fraud upon the court, the assignment(s) are not proper. BANA was not the holder of the note, or mortgage, at the time it filed the complaint, and the trial court lacked subject

matter jurisdiction to continue this foreclosure. This is a genuine issue of material fact and summary judgment was inappropriate.

- 3) BANA'S Assignment of Mortgage has a robo-signed notary signature. (R. p. 540) Handwriting analysis was conducted on the notary signature and was inconclusive. However, the document was notarized in California, and California law requires the notary to sign ALL documents with the same signature as was used on the application to become a notary. This requirement is in place to ensure that notary signatures can be authenticated. The signature on the assignment to BANA voids the assignment under California law, as the signature does not comply with the law. It is therefore invalid in any court proceeding. This assignment of mortgage is not proper. This is a genuine issue of material fact and summary judgment was inappropriate.

In addition to the fact that the indorsement on the note is undated, (R. p. 539) and therefore BANA is unable to prove when they became the owner and holder of the note, BANA contends in their reply brief that SC Codes Ann. § 36-3-301, the person entitled to enforce the instrument includes “ ‘the holder of the instrument.’ *Id.* A ‘holder’ of the instrument is defined to include ‘the person in possession of a negotiable instrument that is payable either to the bearer or an identified person that is the person in possession.’... ” A close inspection of the note in question shows that the note is endorsed in blank, not payable to a named payee nor is it payable to the bearer of. Therefore, a more detailed look at S.C. Codes Ann. § 36, aka the Uniform Commercial Code is in order here, as follows:

- 4) Whenever a claim is brought before a court where an indorsement of a negotiable instrument (Note) is challenged, the bank's attorney will always

claim that the absence or omission of a named payee is a negotiable instrument “indorsed in blank”. He will also claim that the note indorsed in blank is lawful pursuant to SC Codes Ann. § 36 - 3 - 205(b) and thus becomes a “bearer instrument”. The first thing we should look at in order to understand this argument is the definition of “indorsement” We find this term defined in SC Codes Ann. § 36- 3 – 204(a) wherein the term indorsement is defined as follows:

**“Indorsement” means a signature, other than that of a signer as maker, drawer, or acceptor, that alone or accompanied by other words is made on an instrument for the purpose of (i) negotiating the instrument, (ii) restricting payment of the instrument, or (iii) incurring indorser’s liability on the instrument, but regardless of the intent of the signer, a signature and its accompanying words is an indorsement unless the accompanying words, terms of the instrument, place of the signature, or other circumstances unambiguously indicate that the signature was made for a purpose other than indorsement. For the purpose of determining whether a signature is made on an instrument, a paper affixed to the instrument is a part of the instrument.” [Emphasis added]**

- 5) Now we need to know how the law defines, “blank indorsement” and “special indorsement” “indorsed in blank”. For these definitions we go to SC Codes Ann. § 36- 3 - 205 (a), (b), and (c) with emphasis on the key points:

(a) If an indorsement is made by the holder of an instrument, whether payable to an identified person or payable to bearer, and the indorsement identifies a person to whom it makes the instrument payable, it is a “special indorsement.” When specially indorsed, an instrument becomes payable to the identified person and may be negotiated only by the indorsement of that person. The principles stated in Section 36 – 3 - 110 apply to special indorsements.

(b) If an indorsement is made by the holder of an instrument and it is not a special indorsement, it is a “blank indorsement.” When indorsed in blank, an instrument becomes payable to bearer and may be negotiated by transfer of possession alone until specially indorsed.

(c) The holder may convert a blank indorsement that consists only of a signature into a special indorsement by writing, above the signature of the indorser, words identifying the person to whom the instrument is made payable.

Now that we have defined these critical terms, let’s look at how someone acquires the right to enforce the instrument. For this information we go to SC Codes Ann. § 36-3-203 wherein the law provides the following:

*(a) An instrument is transferred when it is delivered by a person other than its issuer for the purpose of giving to the person receiving delivery the right to enforce the instrument.*

*(b) Transfer of an instrument, whether or not the transfer is a negotiation, vests in the transferee any right of the transferor to enforce the instrument, including any right as a holder in due course, but the transferee cannot acquire rights of a holder in due course by a transfer, directly or indirectly, from a holder in due course if the transferee engaged in fraud or illegality affecting the instrument.*

*(c) Unless otherwise agreed, if an instrument is transferred for value and the transferee does not become a holder because of lack of indorsement by the transferor, the transferee has a specifically enforceable right to the unqualified indorsement of the transferor, but negotiation of the instrument does not occur until the indorsement is made.*

*(d) If a transferor purports to transfer less than the entire instrument, negotiation of the instrument does not occur. The transferee obtains no rights under this Article and has only the rights of a partial assignee.*

Let's look closer at what we have here in the law, and compare what the law says to what we generally see on a copy of a note as it exists today.

- We see in 36 - 3- 204(a) that an indorsement is a signature.
- We see in 36 - 3- 205(b) that a note indorsed in blank is payable to the bearer of the instrument.
- We see in 36 - 3- 205(c) that the holder may convert the blank indorsement into a special indorsement by writing his name in the payee line.

Now this is what we usually see on the copy of the note that a bank will send you if you ask for a copy of the note from the servicer in a debt validation request pursuant to 15 USC §1629(g). Look on the last page of the note (R. p. 539) and you will usually see –

PAY TO THE ORDER OF

\_\_\_\_\_

WITHOUT RECOURSE

*Somebody's Signature*

What's missing? This says pay to the "ORDER" of, but it does not say to whom. It is not a "special indorsement" because it does not have a named payee, nor does it say "Bearer". Though an incomplete indorsement may be construed as to show an alleged intent to negotiate, or transfer a negotiable instrument, intent alone does not supersede statutory requirements of a true negotiation.

This can only mean one thing, that this is an incomplete and insufficient indorsement. Whoever signed it acquired no rights under the instrument and they are not the proper party to enforce the note. Whoever received the document only has a partial right as a partial assignee. A foreclosing party must have full rights in order to foreclose.

The note in question (R. p. 539), stating: "Pay to the order of \_\_\_\_\_" is not a bearer instrument....

Let's get an understanding of the basics before we move on to the details. If an instrument states "Pay to the Order of" it is "order paper" or an "order instrument", as where if an instrument states "Pay to Bearer" or "Pay to the order of Bearer" it is "bearer paper" or a "bearer instrument."

An order instrument must have a specifically named "payee" identified on the payee line, as where a bearer instrument is payable to whomever has possession of the instrument. A good example of an order instruments would be a check because on its face the check states "Pay to the order of" and then who ever draws the check would write in the name of the person or entity entitled to receive payment by the presentment of this instrument.

A good example of a bearer instrument is a 10 dollar bill, because it is a negotiable instrument, but whoever has the 10 dollar bill in his possession can present the instrument for payment.

Now for the details, in *Hoss v. Fabacher* 578 S.W.2d 454 (1979) Tex 1<sup>st</sup> D Ct App (hereafter Hoss) the vital differences were defined in very fine detail. Note: The Texas Business and Commerce Code (BCC) reflects the Federal Uniform Commercial Code very closely. For example here the Fed section will be 3-203, the Texas statutory equivalent will be section 3.203. We have cited equivalent South Carolina sections of the UCC below after the Texas citing referred to in the Hoss case.

In Hoss it states, "Under the Texas Business and Commerce Code, 'instrument' means a negotiable instrument." § 3.102(a) (5) (1967). [*SC Codes Ann. Sec. 36 – 3- 104(b)*]

To be a negotiable instrument, the writing must:

(1) be signed by the maker or drawer,

(2) contain an unconditional promise or order to pay a sum certain in money and no other promise, order, obligation or power given by the maker or drawer except as authorized by the Code,

(3) be payable on demand or at a definite time, and

(4) be payable to order or to bearer. § 3.104(a)(1967). [*SC Codes Ann. § 36-3-104(a)(1)*]

An instrument is payable to bearer when by its terms it is payable to

(1) bearer or to the order of bearer; or

(2) a specified person or bearer; or

(3) “cash” or the order of “cash”, or any other indication which does not purport to designate a specific payee.

The official comment to this section clearly states 2. Paragraph (c) is reworded to remove any possible implication that “Pay to the order of \_\_\_\_\_” makes the instrument payable to bearer. It is an incomplete order instrument and falls under Section 3-115. (*SC Codes Ann. Sec. 36 – 3- 1115*)

Hoss goes further to state, “Section 3.115(a) [*SC Codes Ann. Sec. 36 – 3- 1115(a)*] of the Code, titled “Incomplete Instruments,” provides that when a paper whose contents at the time of signing show that it is intended to become an instrument is signed while incomplete in any necessary respect, it is unenforceable until completed. Comment 2 following that section defines “necessary” as “necessary to complete instrument. It will always include the promise or order, the designation of the payee, and the amount payable.” In our case, the note in question (R. p. 539), states: “Pay to the order of \_\_\_\_\_” and it is not a bearer instrument.

There have been many attorneys that argue that an “incomplete order instrument” is a negotiable instrument that is, “indorsed in blank” and is

therefore a “bearer instrument”. Under Hoss, this argument falls on its face. Hoss outlines that an “incomplete order instrument” is in fact NOT a bearer instrument and that the attorney is trying to pull the “proverbial wool over the eyes” of the court. Counsel’s statement may not reach fraud upon the court but it is certainly not a winning argument in light of Hoss.

## ARGUMENT

The trial court lost subject matter jurisdiction at the time of the filing of the complaint as the negotiation of the note is incomplete and undated, making it impossible to ascertain if BANA acquired rights to the note prior to the filing of the foreclosure. Furthermore, BANA’s attorneys argue that securitization of the note has no bearing on this case. Appellants contend that it most certainly does, as securitization forever changes the note. It changes the note into a security and separates the security from the mortgage. It can never be converted back into a note, and reattached to the mortgage. The evidence in this case clearly shows that securitization happened almost immediately after John Dalen signed the note. The evidence also clearly shows that the banks, BANA and FNMA orchestrated an unlawful foreclosure, creating documents to facilitate their purpose(s), causing irreparable harm to the Dalens. The process of securitization allowed the banks to enrich themselves many times over by selling individual notes multiple times. A federal commission was set up to study the 2008 economic collapse and laid the blame squarely on the bank’s reckless activities -- writing and securitizing mortgages -- which ultimately led to all 50 States Attorneys General suing the

banks for wrongful foreclosures, including manufacturing documents to facilitate these foreclosures.

For all of the above-cited reasons, summary judgment for BANA was improper and the Appellants were denied due process by the trial court for proceeding with trial without subject matter jurisdiction and denial of trial by jury. The entire trial court proceeding(s) constitute unlawful foreclosure. Subject matter jurisdiction must be proved on the record by the party asserting it. BANA never proved jurisdiction and therefore the trial and all the proceedings were unlawful. The court must look to the entire case to see if subject matter jurisdiction was lost. (*See: Bank of America v. Grisel Reyes-Toledo, Sup. Ct. of Hawaii, SCWC-15-0000005, dated February 28, 2017.*) (R. pp. 1079 – 1106)

## Conclusion

The trial court engaged in an unlawful foreclosure action and the court lacked subject matter jurisdiction. Proceeding without such jurisdiction violated our right to due process. The Appellants issues, preserved for appeal, deserve contemplative study by this Appellate Court. In doing so, it is hoped that the court will remember that the primary function of any court is the protection of the citizen's Constitutional rights -- to be forever watchful for encroachments thereon. Consider the immortal and prophetic words of Thomas Jefferson:


*"I believe that banking institutions are more dangerous to our liberties than standing armies. If the American people ever allow private banks to control the*

*issue of their currency, first by inflation, then by deflation, the banks and corporations that will grow up around [the banks] will deprive the people of all property until their children wake up homeless on the continent their fathers conquered.”*

WHEREFORE, the court should vacate the judgment of foreclosure of the Master in Equity, dismiss Plaintiff's complaint with prejudice, and remand the case back to the trial court for trial on defendants' counterclaims, which had been erroneously dismissed in the granting of summary judgment to Bank of America, N.A. as well as for hearings to assess the damages owed to homeowners John and Julie Dalen due to fraud brought upon the court by BANA and FNMA.

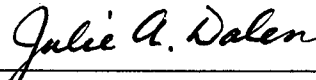
Submitted by John D. Dalen and Julie A. Dalen

DATED this 24<sup>th</sup> day of October, 2017



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