

Integrated Remedy: Debt Validation, Lack of Consideration, and Conditional Acceptance

Blueprint of Justice – Educational Handout

I. Purpose and Overview

This handout explains how Debt Validation, Lack of Consideration, and Conditional Acceptance combine into a single, integrated administrative remedy. It shows why servicers often cannot prove standing, how the 'severability' clause enables separation of the Note and Deed, and how to respond in honor while shifting the burden of proof.

II. Core Definitions (Plain Language)

- Debt Validation (FDCPA §1692g): Statutory right to demand proof that a lawful debt exists, the collector is the real party, and the amount is accurate.
- Consideration (UCC §3-303(a)(1)): 'Value given' for an instrument. Mere bookkeeping credit is not value; value is given when funds are withdrawn or a security interest exists (see UCC §§4-214(a), 4-211).
- Standing (UCC §3-301; FRCP 17(a)): Legal right to enforce an instrument; must be the person entitled to enforce and bear risk of loss.
- Severability (Security Instrument ¶15): Declares the Note and Security Instrument are severable; conflicting clauses can be removed without voiding the whole contract, enabling the note-deed split.
- Conditional Acceptance (UCC §§1-308, 3-501): Acceptance upon proof of standing and value; keeps you in honor and requires claimant performance first.

III. How the Separation Works (and Why It's Used)

A mortgage package creates two instruments: (1) the Promissory Note (commercial paper) and (2) the Deed of Trust/Mortgage (property lien). The severability clause lets these be treated separately. The Note is often endorsed and sold; the Deed remains a recorded lien. Servicers proceed as if unity exists, but often cannot produce proof of beneficial ownership and risk of loss.

- Note becomes a negotiable asset (sold/pledged/securitized).
- Deed remains a lien; servicer may not be the true beneficiary.
- Without unity (holder of Note + beneficiary of Deed), enforcement is defective.
- Contract survivability via severability allows the machine to continue unless challenged.

IV. Legal Bases (For Education)

- FDCPA §1692g(b) – Validation of debt; collection pauses pending verification.
- UCC §3-301 – Person entitled to enforce an instrument.
- UCC §3-303(a)(1) – Value given for an instrument.
- UCC §9-203(b)(1) – Enforceability requires value and attachment of a security interest.
- UCC §§4-214(a), 4-211 – Bank gives value upon withdrawal; value to extent of security interest.
- FRCP 17(a) – Real party in interest.

V. Remedy Flow: One Process, Three Layers

Step 1 – Debt Validation (FDCPA): Demand proof of debt, real party in interest, chain of title, and accurate accounting.

Step 2 – Lack of Consideration (UCC): Demand funding source, beneficiary ledger, risk of loss, and proof that value was given.

Step 3 – Conditional Acceptance (UCC): Accept claim upon verified proof of standing and value; set a 10-day deadline.

Step 4 – Dishonor/Default Record: If they do not verify, record their nonperformance as dishonor and lack of standing.

Step 5 – Opportunity to Cure: Send Notice of Dishonor & Opportunity to Cure (final 7 days) before administrative closure.

VI. Conditional Acceptance – Teaching Template

– I conditionally accept your claim for full value upon proof that you (or your principal) gave lawful value for the original instrument (UCC §3-303) and are the person entitled to enforce (UCC §3-301).

– Provide within ten (10) days: (a) certified wet-ink Note and chain of endorsements; (b) all assignments proving unity of Note and Deed; (c) beneficiary ledger and destination account; (d) accounting audit showing your risk of loss; (e) identification of the true creditor and funding source.

– Until verification is received, your claim remains conditionally accepted and held in abeyance. Attempts to collect or report without verification show bad faith and commercial dishonor.

– All rights reserved without prejudice under UCC §1-308; performance will occur upon receipt of verified proof of claim.

VII. Example Timeline (10-Day Window + Cure)

- Day 0: Mail Debt Validation + Conditional Acceptance via Certified Mail.
- Day 3–5: Delivery confirmed; attach tracking/green card to your record.
- Day 10: If no verification, send Notice of Dishonor & Opportunity to Cure (7 days).
- Day 17: If still no verification, close the administrative record and preserve remedies.

VIII. Common Pushbacks and Teaching Responses

- “We’re only the servicer.” → Servicing is not beneficial ownership; produce unity and ledger.
- “Investor details are confidential.” → Then validation is incomplete; FDCPA requires verification.
- “Frivolous request.” → Good-faith validation grounded in FDCPA and UCC; please verify or cease collection.
- “We have a copy of the note.” → Provide certified wet-ink provenance and unbroken endorsements/assignments.

IX. Exhibits to Attach

- Exhibit A – Debt Validation Request.
- Exhibit B – Conditional Acceptance Letter.
- Exhibit C – Proof of Mailing (tracking/green card).
- Exhibit D – Prior tender/certificate of dishonor (if any).
- Exhibit E – Affidavit of Non-Response (if needed).

X. Mailing & Record Protocol

- Use Certified Mail with tracking for objective evidence.
- Scan and keep copies of all outgoing/incoming correspondence.
- Calendar deadlines; send cure notice before administrative closure.
- Remain in honor: request verification, do not argue.

XI. Fiduciary Ethic & Spirit

Conditional acceptance is a tool for transparency and peace. By accepting with conditions, you allow the record to reveal who acts in good faith.

XII. FAQ (Student Questions)

- Is conditional acceptance a refusal? No; it is acceptance pending verification.

- What if they ignore it? Document dishonor and lack of standing; follow the timeline.
- Can this be used in court? Yes, as an administrative record showing good faith and their non-verification.
- Does this erase the debt? It compels proof. If they cannot prove, it exposes lack of standing and opens paths for settlement/closure.

Closing Teaching Statement

We do not erase contracts; we bring them into honor. By demanding verification of value and standing—and accepting conditionally—we restore balance and let commercial truth prevail.

/s/ Chris Magis Nero©

Private Postmaster, FPO-7200™

c/o PMB 26096

1501 S. Cherrybell Stravenue

Tucson, Arizona [85726-9998]

CHRISTOPHER KARLS SISNEROS ESTATE – Private Fiduciary / Trust — Arizona

(Educational Seal — Cherry Bell Station)

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