Documenting Oral Histories and Business, Data, and Policy Analysis on the American Predatory Lending and the Global Financial Crisis



BASS CONNECTIONS

Information, **Society & Culture**

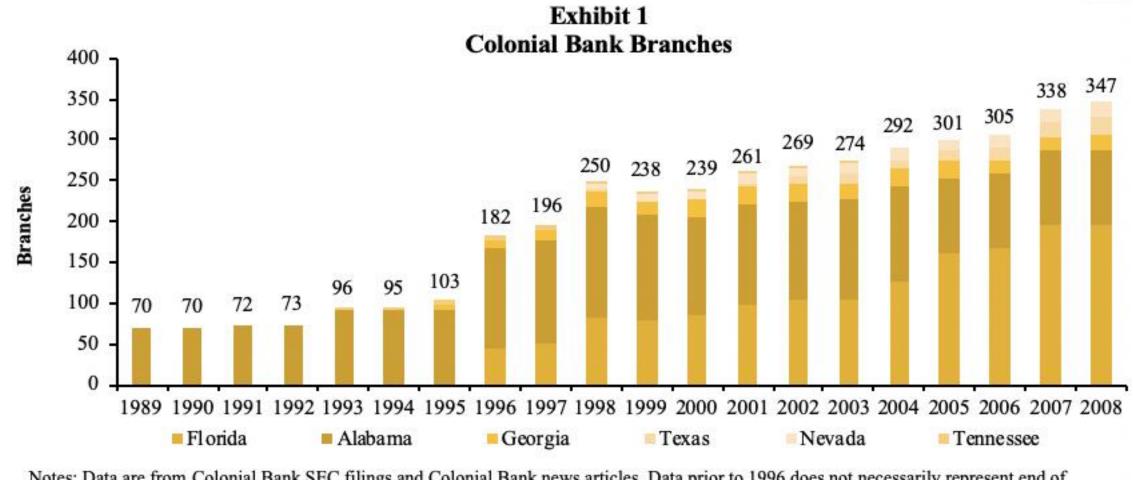
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Summary

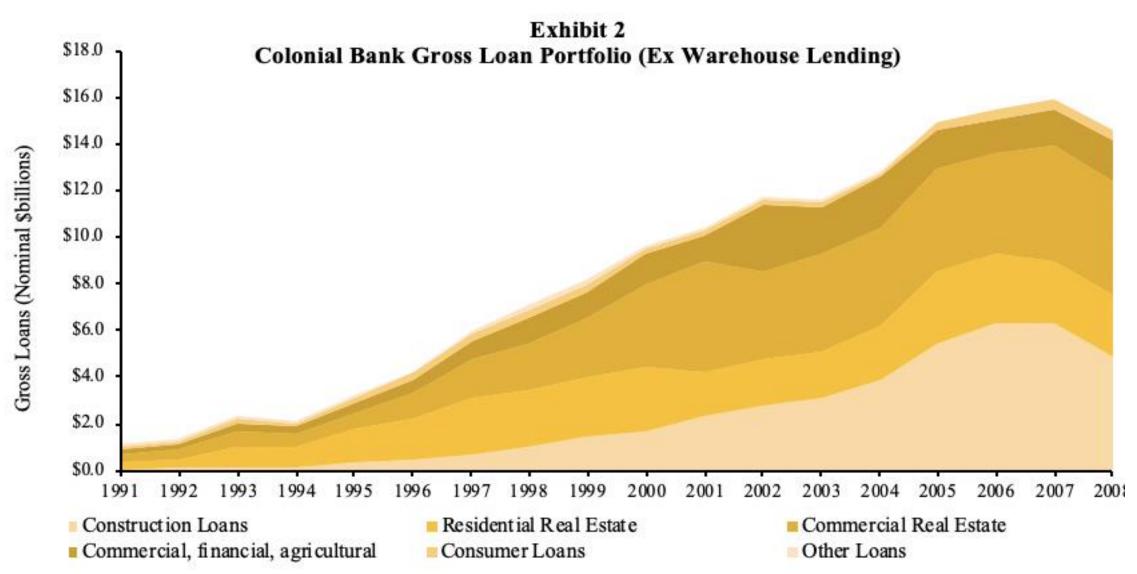
American Predatory Lending and the Global Financial Crisis, a 2020-2021 Bass Connections team, intends to situate the state and local context into discussions about the implications of that tumultuous economic period. In creating an oral history archive, data analysis and visualizations, and legislative timelines and policy memos, the team has deepened our understanding of what caused the Financial Crisis of 2008.

This website, developed by our technology team, led by junior Jett Hollister, showcases each team member's research contributions and serves as a onestop-shop for researchers, students, and media outlets. The website houses a critical, ground-breaking archive of new evidence about the run-up to the housing crisis in the United States, and is available here: predatorylending.duke.edu

Business Analysis: Case Study of Colonial Bank



Colonial Bank bought small community banks throughout the Southeast after regulations allowed them to expand outside of Alabama.



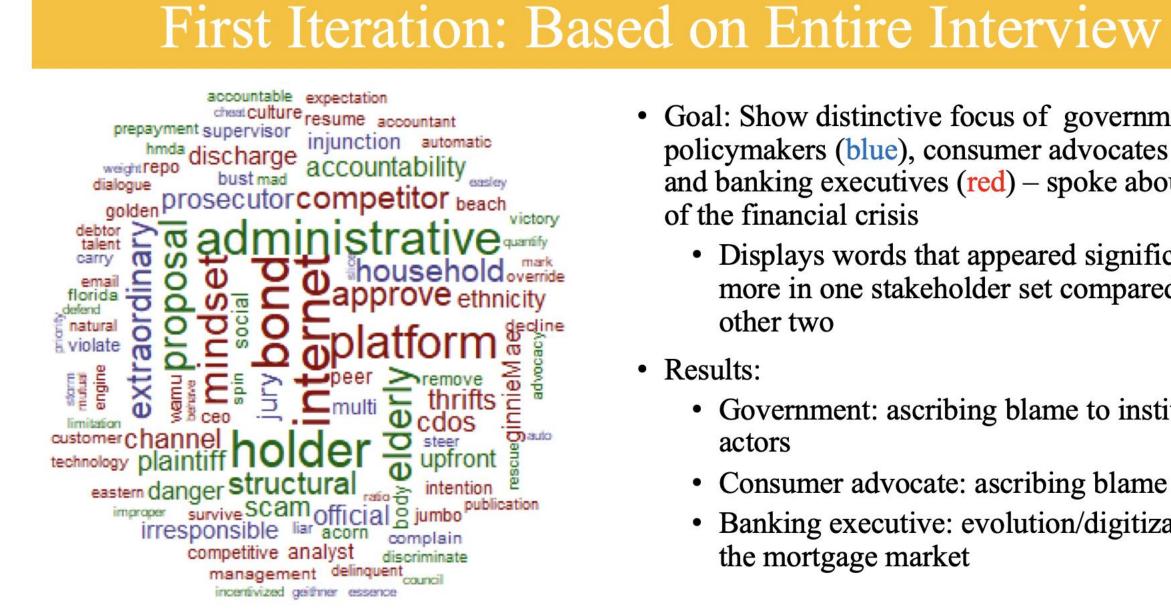
- 2008 are from Capital IQ. Data from 1991 - 1993 are from SEC filings. All data reflect restated filings where applicable. Other loans are grouped into Consumer loans starting from 2005.

Colonial's overexposure in commercial real estate and construction lending led to their downfall when the market collapsed in 2007-09, especially in Florida.

The Business Analysis sub-team analyzed two case studies over the semester: Colonial Bancgroup and Long Beach. The case studies provided greater insight into the product line throughout the leadup to the financial crisis. In addition, the sub-team wrote four memos on the evolution of the mortgage market, which analyzed how underwriting, different entities, subprime products, and regulators changed before, during, and after the crisis.

Overview of Oral Histories: Private Sector Team Tripled existing private sector oral history archive: added 25 new interviews in 2020-2021 - Head of Industry Relations and Public Policy Also founder of ABS and MBS Mortgage Bankers Association C-BASS - Chief Economist - Chief Risk Officer Founder and CEO Stanley Freedom Head of Public Policy Mortgage mortgage lender (USA) - Head of Global Fixed Income and Securitized -Chief Legal Officer **Washington Mutual** Products Research Group - Chief Risk Officer - Chief Strategy Head of Global Interest Countrywide Operations - SVP of Wholesale Lending Industry Group Leaders Primary Market Executives Secondary Market Executives

Data Analysis: Word Cloud



- Goal: Show distinctive focus of government policymakers (blue), consumer advocates (green), and banking executives (red) – spoke about aspects of the financial crisis
 - Displays words that appeared significantly more in one stakeholder set compared to the other two
- Results:
 - Government: ascribing blame to institutional
 - Consumer advocate: ascribing blame to lenders
- Banking executive: evolution/digitization of the mortgage market

Second Iteration: What Caused the Financial Crisis



- Same analytical approach with responses to the specific question:
 - "Over the last decade, we have seen a number of different narratives emerge to explain the financial crisis. How do you understand what caused that crisis?"
- Government policymaker: expansion of the home lending market and deterioration in lending standards
- Banking executive: monetary policy at the Federal Reserve
- Consumer advocate: actions by mortgage brokers and predatory lending activities

The Data Analysis sub-team produced word clouds using common words and phrases from the oral history interviews conducted by the team. They color-coded the words by stakeholder, which were policymakers, consumer advocates, and banking executives, revealing patterns that differed drastically from each other. Also, Data Analysis sub-team members Sana Pashankar, Jett Hollister, and Michael Dymond dove into an analysis of the Arizona mortgage market in conjunction with continued analysis of other key states like North Carolina.

Oral History

The core of this team's unique contribution is the portfolio of oral histories collected by reaching out to key figures in the social, political, and economic space surrounding the mortgage market.

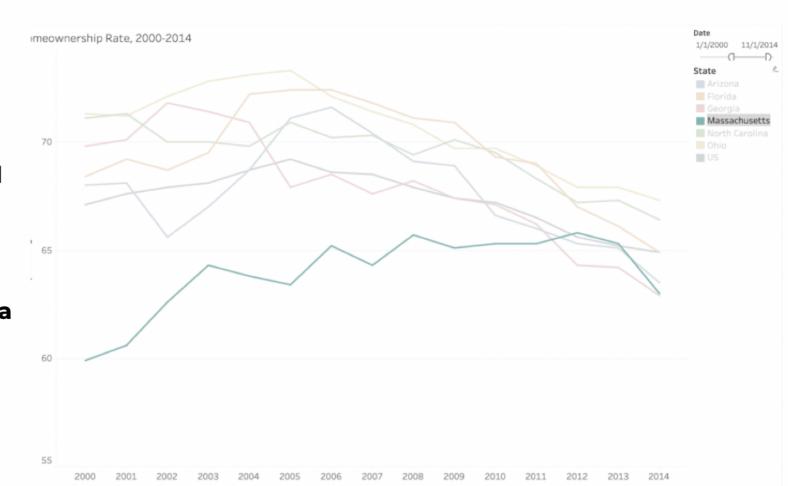
Led by Maria Paz Rios and Patrick Rochelle, students on the Oral History sub-team conducted 30 new interviews over the course of the year. The interviews expanded the geographic range of the project to Ohio, Arizona, Massachusetts, and Florida. Furthermore, Maria's team of students focused on collecting the stories from executives at institutions in the private sector, such as Washington Mutual, while Patrick's team of students focused on gathering the perspectives of federal and state regulators as well as consumer advocates.

Policy Analysis: State Legislative Timelines

Massachusetts



- The ONE Mortgage Program (1990) and the High Cost Home Loan Regulations (2001) initiatives ensured low-income homeowners were protected.
- Addressed gaps in legislation, created a sustainable system in which the Massachusetts housing market was better protected compared to other
- Modeled legislation on NC's Predatory **Lending Law**



North Carolina

- Of note in our study was the North Carolina Predatory Lending Law (1999)
- First state to enact predatory lending protections
- Law introduced general protections applying to all mortgages, defined new category of "high cost" home loans
- Outlawed prepayment penalties on mortgages and balloon payments for high cost home loans
- Vested authority in NC AG and NC Office of Commissioner of Banks



The Policy Analysis sub-team under Katie Kaufman mapped out legislative timelines for the United States, North Carolina, and Massachusetts. Also part of the Policy Analysis team, Jacob Argue in conjunction with Olivia Wivestad and Braleyn Parkman focused on writing memos on mortgage enforcement actions in Florida and Massachusetts, respectively. The memos chronicled the development of rules and regulations as well as any changes leading up to, during, and after the 2008 financial crisis.

Each of the 25 undergraduate and graduate students and faculty worked on multiple projects throughout the year. The continued focus on interdisciplinary research allowed for students to produce engaging, accessible analyses on four separate sub-teams.