AMERICAN PREDATORY LENDING AND THE GLOBAL FINANCIAL CRISIS

ORAL HISTORY PROJECT

Interview with

Robert Kucab

Bass Connections

Duke University

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PREFACE

The following Oral History is the result of a recorded interview with Robert Kucab conducted by Michael Cai on March 24, 2020. This interview is part of the Bass Connections American Predatory Lending and the Global Financial Crisis Project.

Readers are asked to bear in mind that they are reading a transcript of spoken word, rather than written prose. The transcript has been reviewed and approved by the interviewee.

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Interviewer: Michael Cai

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Michael Cai: I'm Michael Cai, an undergraduate student at Duke University and a member of the Bass Connections team for American Predatory Lending and the Global Financial Crisis. Today is Tuesday, March 24, 2020. I'm joined over the phone for an oral history interview with Bob Kucab, former executive director of the North Carolina Housing Finance Agency. Bob, thank you for joining me today.

Bob Kucab: Well, you are very welcome. Thank you for the opportunity.

Michael Cai: So I'd like to start by establishing a bit about your background. You attended Eastern Michigan University for undergraduate and then Wayne State University [for graduate school]. Is that correct?

Bob Kucab: Correct. Exactly right.

Michael Cai: So when in your career did you first become involved with residential mortgages?

Bob Kucab: So, after I left my graduate program at Wayne State University, I took a job as a city planner for the City of Flint, Michigan. And at the time, I thought I wanted to be a city planner. I learned pretty quickly that my inclinations really took me more toward urban revitalization issues. Flint was suffering a lot of disinvestment and it seemed like the neighborhoods were falling into disrepair. There were a lot of things happening concurrently with the withdrawal of General Motors from their automobile plant commitments in places like Flint and Detroit. So, the mayor at the time chose to create a task force on neighborhood revitalization.

I was on the task force. As a byproduct of it, we created a nonprofit to deal with some of the neighborhood issues, particularly housing rehabilitation, acquisition of under-utilized properties, rehabilitation resale. And so through that process, we put together a team of individuals to both form the board for a nonprofit organization, and then, in partnership with the city, we staffed a nonprofit organization. I became the executive director. It was known as the Flint Neighborhood Preservation Project Incorporated. Actually, the Flint Neighborhood Improvement and Preservation Project Incorporated, or Flint NIPP. And so, I did that for about five and a half years. And that was really where I got my grounding in residential mortgage practices and a lot of things having to do with the dynamics of the housing sector in cities.

Michael Cai: And then from your time in Flint, to then becoming the executive director of the North Carolina Housing Finance Agency, what were some of the other jobs that you held between those two positions?

Bob Kucab: Well, as good fortune would have it, I was trying to expand beyond work with our nonprofit in Flint. It was, I thought, going well, it was successful, we were doing a lot of things. I wanted to try and work at the state level. So, I was a part of a recruitment for the Housing Finance Agency for the state of Idaho, out west. And I spoke to them on a couple of occasions actually about coming out and doing some work in their organization. Not at the executive level, but in one of the program departments. Their executive director happened to move on, so they reconnected with me and I was able to secure the job as executive director of the Idaho Housing Finance Agency, the HFA, and they had a much broader range of programs than we were managing in Flint.

So we were dealing with a first-time home buyer program as well as apartment development and Section 8 rental assistance programs. They actually owned a public housing project, so we worked to oversee that as well. And it was a robust, wide range of programs that they operated, and so I did that after Flint and before North Carolina. And then there came a point in my life, more personal than professional, where I thought I really wasn't a westerner and I wanted to move back near to some of my family and aging parents. And so I started circulating my resume, and at the time, North Carolina was losing its executive director and they were doing a recruitment. And so I was again, fortunate to be able to qualify and secure the job in North Carolina in 1982? No, 1987. I'm sorry. And so we made the change. The work was very similar. North Carolina was a bigger state, more resources.

Not as wide a range of activity, because Idaho was a smaller state so you did a lot more things. Here, you did fewer things, but you did more of them. And so we made the change in 1987 and I managed the Housing Finance Agency in North Carolina for about 30 years until 2017.

Michael Cai: That's a very impressive tenure. And over those many decades, how would you see those responsibilities as executive director change and especially related to the market for residential mortgages?

Bob Kucab: Well, certainly the level of activity increased for Housing Finance Agencies, both in single family lending, as well as in multifamily development. Housing Finance Agencies [HFAs] really only came into widespread existence in the mid '70s. So, we were relatively new intermediaries in the marketplace in the late '70s. Early '80s, they began to gather more momentum and began to accumulate some resources and new tools and that continued through the '80s. There was a growth of both what we could do, and how much of it we could do. And so, I would say, through the 1980s, we added resources and program tools, and a level of staff sophistication that made HFAs really consequential players in the affordable housing segment, in virtually every state in the country. So, we not only knew how to sell tax-exempt bonds and finance single family mortgages, we were now issuing federal housing credits that allowed us to do much more with apartment development than we could before. Many states, including North Carolina, had put together state housing trust funds, which allowed us to do various kinds of special projects for people of very-low income and renters who might not have been assisted by HFA programs in the past. And so, again, the time of the '80s and early '90s were times of real growth and expansion.

We were also, at the federal level, trying to make sure that these programs had durability, but our bond lending authority and the housing credit had sunset features built into them by federal tax law. So, we spent a lot of time making sure that the programs had their sunset feature extended. Eventually, we were able to get them made permanent. I was part of a team of people nationally, all states plus our national association, that built a foundation for HFAs financially, programmatically and with staff capability, and then spent time and effort ensuring that the tools would be there so that HFAs could be even more active and more consequential in the production of affordable housing, which is kind of where I think they find themselves now. I think they're very meaningful, important players nationally and a good place for the federal government to focus its resources, and a great partner for local governments, for counties and cities, to get done what they want to get done in preserving the affordable housing stock and expanding it.

Michael Cai: …[A] particular interest to our project are the years leading up to the financial crisis. So do you remember specific to those years, maybe 2005, 2006, 2007, 2008, what your day-to-day was like, as executive director?

Bob Kucab: I do. Housing Finance Agencies work in a very regulated world. So we have a lot of partners. The HFA model is very partnership driven. Our primary relationship is to the state, and so we have a lot of reporting and a lot of activity that occurs with state government. Of course, I mentioned the federal government, mostly through HUD [U.S Department of Housing and Urban Development] and congressional oversight committees. And then we have our other side, which is through the investors that buy our bonds, the rating agencies, the team of people that help us make sure that our programs run smoothly and correctly. We have oversight from both entities like the IRS [Internal Revenue Service] as well as public accounting firms, so the role of an executive director is to keep the programs going and to keep all these other parties informed, and to satisfy their requirements. So a lot of my time was occupied by ensuring that all of our partners — federal, state, public, private — had the information they needed about what we were doing and why.

.Michael Cai: … What were some of the state agencies in that case that you worked closely on issues linked to the residential mortgage market?

Bob Kucab: Yeah, I mean, we worked with the General Assembly directly. They funded the state housing trust fund, so we had a regular reporting requirement to them for that. We also reported twice a year to the General Assembly to something called Joint [Committee on] Governmental Operations. They had general oversight over every facet of state government, so we were also a part of that reporting relationship. We reported to the state auditor's office, to the state treasurer's office. All of it in different ways at different times, but there was a lot of accountability to the state for the activities of the agency for our financial health and for the effectiveness of our programs. They wanted to know what we were doing and whether it was working.

Michael Cai: And how did you see these federal and state regulating agencies overlap? Was there any tension between these different groups?

Bob Kucab: No, I don't think we saw any, any real overlap. I think we understood each of them and what they required and they seem to have unique requirements. There was a lot of reporting up and reporting out. There were times when we wondered whether there was enough interest in the actual production of housing: what it looked like, how it felt to the buyers or the renters, and how successful it was. There seemed to be a lot more interest in compliance issues that were more peripheral. But everybody had again, their role to play and Housing Finance Agencies live in a circumstance that requires a lot of reporting out, they're very accountable organizations.

Michael Cai: …[O]utside of these previously mentioned partnerships with government agencies, rating agencies, and bond investors, are there any other groups that you engaged with as executive director…[A]ny interactions you had directly with borrowers, or borrowers to consumers, as well as with the banking industry in North Carolina?

Bob Kucab: Yeah. This sort of gets to our internal structure and how our company operated. Our first-time home buyer program relied on the sale of tax-exempt bonds to fund mortgages for first-time home buyers. We had an interest rate advantage because of the federal and state tax exemption, and then we had down payment assistance, which we generally provided through the federal HOME Program, in the beginning, for households below 80% of median [income]. And at that time, we were solely focused on first-time home buyers whose incomes were just below median income for the state, and then down payment assistance for people with lower incomes. And so, we would regularly do a survey of the first-time home buyer market. And I say survey; it's through discussions with our partners. And we had a whole lender network — banks, savings & loans, credit unions, mortgage banks — as to what they could reasonably use, both in terms of a product type and in terms of the volume.

We had a network, it was really a team of support services from our loan servicer through to the rating agencies, our trustee, our bond counsel, our underwriters, and we had to know what they could provide us with in terms of the ultimate mortgage product that we could make available. And then we had the credit support on the mortgage side with FHA [Federal Housing Administration], VA [Veteran Affairs], rural development, and the PMI [private mortgage insurance] companies, and the credit support on the bond side, which we needed so that we could always have a AA rating. So we were always in discussions with our lender network about what kind of product, what kind of volume, what kind of rate was required, our support team on what they could provide, and at what cost, and then looking at the necessary credit support, what it was going to take to put our product together.

Our first-time home buyer lending, which I think is where our focus was and is, or the agency's is, because we had really a peephole view of the world in many respects because we only worked with first-time home buyers. We didn't do move-up lending at all at that time. And we only dealt with people who were essentially at median income and below, so low- and moderate-income buyers. And we had a lot of beliefs about safeguards for that buyer group. So, we only did fixed-rate lending. We believe strongly that first-time home buyers didn't have a lot of income elasticity, and we wanted to reduce risks. We had credit score requirements, home buyer education if they were using down payment assistance, we had an in-state servicer requirement, and then we had other — getting into the weeds — we had more requirements for things like self-employed borrowers, or renters who were stepping into a situation where their payment was being increased significantly because they were moving from renting to owning, so we took them through some additional steps.

All of that to say, we learned from our experience, and from our lender network, and from the kind of credit partners we had, what it was going to take to make our program successful. And again, I don't speak for the North Carolina Housing Finance Agency. I speak for my own personal experience at this point. Our goal was to make first-time home buyers successful. Not to do a real high volume of business, not to necessarily make people home buyers as quickly as we could, but to make sure that we were making home buyers successful homeowners. And that was our goal. That was our primary objective.

Michael Cai: …. Just a few questions for clarification: what do you mean by PMI companies?

Bob Kucab: Private mortgage insurance. If we weren't using a government insurance program like FHA, VA, or Rural Development, a loan could be privately insured and any loan with a loan-to-value ratio above 80% had to have private mortgage insurance.

Michael Cai: Okay, thank you. And also, what do you mean by move-up lending?

Bob Kucab: So, existing homeowners who are moving up to another home. And we dealt exclusively with people who had not owned a home before and were buying their first home. The agency now has a program where move-up buyers can use a different product. But at the time, we solely dealt with first-time home buyers, which was someone who had not owned a home for three previous years.

Michael Cai: Okay. And you mentioned, if I heard you correctly, that you only offered fixed rate mortgages to these first-time home buyers?

Bob Kucab: We did.

Michael Cai: Was there any consideration, just with the rise of adjustable rate mortgages and floating rates, to provide those products? Was this … an internal decision…?

Bob Kucab: We had a lot of discussions about adjustable rate products. Moving into the years before the real estate collapse, we saw our production slow. Our first-time home buyers were looking at many more options in the marketplace. Many more products and many more originators. So there was an expansion of the origination network because of the growth of mortgage brokers at that point, as opposed to mortgage bankers. And more importantly, adjustable rate products were being much more commonly marketed with so-called teaser rates. So, adjustable rate loans that had various variable-rate features. The 2/28 style, 3/27 style, hybrid ARMs, as they were called, and there was a good deal of discussion about whether we should offer products of that type. We decided that the borrowers we knew, and our experience, led us to believe that they needed the reliability of a known payment without the possibility of that payment moving up and out of their reach. And so we remained steadfast in offering fixed rate mortgage loans.

We certainly knew that we were losing some of our traditional borrowers to other products. And there were a couple of reasons for that. Some of the borrowers liked the fact that they could get a much cheaper mortgage rate with some of these hybrid ARM features. They also could get their mortgage quicker because there was not as much documentation required with some of these new mortgage products as there was with the products that we offered, because for our mortgages, people had to have their first-time home buyer status, their income, and their purchase price all verified, documented by our agency. So that required time and required paper.

They saw mortgages being offered in the marketplace that had fewer requirements, and maybe it was less expensive in that it was a cheaper mortgage to get into, but we were more concerned about the long-term durability of that home buyer's success. And we never, never wavered from that. We were certainly in discussion about whether we were going to have to make a change to our model or not. We, again, decided not to make a change. We did make a policy decision to use some variable rate bonds which, again, allowed us to offer a less expensive mortgage. So, we brought down our fixed-rate mortgage by putting the risk on the bond side. And we did variable rate bonds. Those ended up causing some difficulty because the credit support required in the financial community was difficult to get at affordable terms after the Great Recession started. So, in hindsight, I probably would not have done the variable rate bonds because we struggled to fix them later. But at the time, it was the only way we could reduce our fixed mortgage rates and compete a little bit more with the hybrid ARMs that a lot of borrowers were being attracted to.

Michael Cai: …[Y]ou mentioned that with this competition with hybrid ARMs, you saw the number of first-time home buyers coming to your agency decrease, do you remember the numbers in the years leading up to the financial crisis?

Bob Kucab: Well, sadly I don't have the numbers. I think it was a slow and steady decline, but I don't have the numbers, and it would require some research by the Agency to produce those, and I just don't have them available.

Michael Cai: …I'm also just curious, so you mentioned how the goal was to have home buyer success and long-term durability. Did you see the loans you offered to these home buyers, were they able to continue making these mortgage payments during the years of the financial crisis?

Bob Kucab: The borrowers that we worked with, did as well as they could unless they suffered job loss and had personal circumstances that really caused them to sell their home or to be unable to make their mortgage payment and, sadly, go into default. We thought those loans performed well. Historically our default rate had always been very low, delinquency rates were very low by the standards of the mortgage banking portfolio for the state. So those people that reported out to the National Mortgage Bankers Association, our delinquency and default numbers were always lower than theirs. And I think they [the Agency] retained that. They stayed lower than the national numbers and the North Carolina numbers as long as we monitored them.

However, there was a lot of job loss and for those people who did lose their jobs, there might not have been any options, other than those that I mentioned. So, we spent a lot of time after the Great Recession working with TARP money and the hardest hit fund — TARP being the Troubled Asset Relief Program that was funded by Congress. One part of that, after they worked with the banks on giving them asset support, they turned to the states and created a program to help people who had lost jobs through no fault of their own receive ongoing mortgage payment assistance to help them bridge the time between their job loss and securing a new job. So, Housing Finance Agencies were in kind of a unique position to both help people get into homes and then see what it took to keep people in homes and look at why they were facing the economic hardship of losing their home. And the Agency spent a good deal of time and numerous years – in fact, [we're] just now winding down that effort in 2020 – helping borrowers, both our own and everyone else's, get through the economic change of the Great Recession.

Michael Cai: For the loans you offered, did they allow for any loan or principal modification, as in just principal forgiveness?

Bob Kucab: So, they did not. Now, having said that, there were efforts to modify loans by some of the government sponsored enterprises, by Fannie Mae [Federal National Mortgage Association] and Freddie Mac [Federal Home Loan Mortgage Corporation]. I don't remember of any broad modification programs that were available otherwise. So, our borrowers, for example, those that were funded with tax-exempt bonds. We didn't have many options, other than to provide some more sensitive servicing. So, we knew if people were delinquent, the loan delinquency amount could be re-casted over a period of time. We had some servicing flexibility to be able to do that. However, we had bond holders to whom we had obligated payment. And so, we had a structured mortgage portfolio and a structured bond portfolio, and we had to make sure that our mortgage portfolio was handled in a way the bond holders could get their required payments. So, we only had a small amount of flexibility in how we managed recasting payments and that sort of thing. But we did what we could on our own portfolio. And that was one of the reasons I thought our portfolio did succeed better than I think, the average did.

We also understood that we had to have a closer relationship to the borrower at a time of economic dislocation. So, we had people that spent a lot of time talking to borrowers about their circumstances and trying to figure out how their individual situation could get fixed. It's also one of the lessons that we learned, which was that home buyer counseling organizations played a really important role both in terms of helping people understand the home buying process before they step into it, and then they can play a very important role when things don't go as planned and people need counseling and assistance to stay in their homes. We relied on them a lot for both.

We required counseling if people were using down payment assistance to buy their home because that was an indication that they were getting into a transaction where they weren't going to have as much of their own money in the home purchase. Some of it was going to be provided by the federal government or by us through the use of federal funds. We wanted to make sure, again, that people were ready for that and understood the process and the obligations that came with it – so we used home buyer education. We also used this counseling network in trying to help our borrowers work through their problems. In a much more expanded way, we used the home buyer counseling network to work with all the homeowners that were eligible under the hardest hit funds using TARP financing after the Great Recession.

Michael Cai: …I was also just curious how your office was seeing these new alternative mortgage products and these hybrid ARMs that were starting to be offered that seemingly had looser and looser restrictions when it came to proof of income or down payments required. What were those discussions like when you were seeing these other products come onto the market?

Bob Kucab: Well, again, we thought that there wasn't enough attention paid on what was it going to take to make sure that home buyers were successful. It looked like there was a lot of effort being made to streamline the process and make the home buying experience quicker, faster, and maybe reduce costs a little bit, but we thought there were a lot of trade-offs that weren't necessarily in the interest of first-time home buyers. We were in a somewhat regulated environment, so we had the discipline of always verifying and documenting income and sales price or purchase price, and first-time home buyer status. That was just a part of our DNA as a Housing Finance Agency, we did that.

We saw what was happening with the limited documentation requirements and relaxed credit standards, and we thought that there probably was a place for those products, but it really wasn't the best tool for a first-time home buyer, particularly one at median income or below. So, we certainly had a skepticism about it. We could not offer that kind of a product. So, it wasn't like we consciously made a choice, “No, we're not going to do that." Our products [are] formed by the Internal Revenue Service rules around tax-exempt bonds, and HUD rules around the use of federal HOME Program. We had compliance issues that we needed to manage and fulfill. However, having said that, we had a lot of professionals on our staff who had a depth of experience in residential mortgage lending and their view pretty consistently was, "These may not be practices that are in the best interests of low and moderate income, first-time home buyers." And so, we, again, never tried to compete that way. In some respects we couldn't. We always thought that our charge was, "Let's deliver the most affordable rate, the most beneficial package that we can do for a first-time home buyer, recognizing that our obligation to the public at large is that we help people succeed in the home buying experience."

Michael Cai: ..[Y]ou also mentioned, with the variable rate bonds, you were hoping to use those to lower the present mortgages, but became difficult to fix them later after the Great Recession started and that's something you would've wanted to change in hindsight. But always in hindsight, I guess you kind of see warning signals, things you may have missed, that a financial crisis was coming. Were there any concerns that you heard from colleagues or some of the government agencies or consumers you were speaking to that something like 2007, 2008 was imminent?

Bob Kucab: Well, yes. I think many of us thought that the residential mortgage market was getting more complicated than was healthy and a lot of people didn't understand all the risks that they might be taking on. And that's across the board. Again, we were doing variable rate bonds. There were risks that we never envisioned in that transaction that turned out to be difficult to manage longer term. I think from what I've read — this is not personal experience — but from what I've read, there were investors who were buying private label securities where they didn't understand the composition of the borrowers in their security and didn't understand the payment flows of those borrowers and what they could rely on, and what they couldn't rely on. Again, that's a sidebar, but I think with all the different components, things were more complicated than ever and people were taking risks that may not had been fully understood. Again, the belief being that residential property is going to continue to increase in value and everybody's going to be okay because the asset value is always going to be worth more than the debt obligations that people have. That, again, proved not to be true.

So, we did see the rise in property values. We did see a lot of non-owner-occupied purchases. That increased to a point that I hadn't seen before personally, where people were buying not only one house, but maybe two or three, and getting pretty extended, and a lot of that was just common knowledge in and outside the industry. But I think that there were a lot of people who were taking on risks that they didn't fully understand, borrowers were taking on risks they didn't understand. I assume, I don't know much about this, but I think developers may have been buying land with values that they thought they could pay for by increasing home values, and they'd be okay by the time they completed a subdivision. Some of those things turned out to be not true when values stopped increasing and the market began to contract. So that's probably kind of a meandering way of saying I think everybody was taking on a little more risk and a little uncertainty that they hadn't fully thought through, may not have been able to foresee in some cases.

Michael Cai: …I want to … pivot a little bit more to some of the policies that were happening in the North Carolina mortgage market. And so, I was wondering how you'd characterize some of these key policy changes that were happening maybe in the decade leading up to the financial crisis. I know, for example, in 1999, North Carolina passed the …Predatory Lending Law. And so, I was wondering about maybe that policy or any other key policies at that time, and the impact that had on your job.

Bob Kucab: Well, we certainly saw the expansion of the subprime mortgage market at the time. And I guess that's not to be confused with predatory lending practices which were different, but I was in support of the efforts to control predatory lending practices. I didn't have personal experience with some of the institutions that were offering such products, but we frequently heard about the level of interest rates, and through the counseling organizations we heard about some of the accumulated debts that homeowners were struggling with. This is existing homeowners who were using a loan maybe for some personal expense, whatever it was, but they ended up with a predatory loan to get that refinancing. We saw the struggle, we heard about the struggle, through the counseling network, so I was in favor of that being regulated.

The subprime mortgage market was a new thing in the run up to the great crisis. And that was an area of, again, some concern. Our belief was always that anybody could become a homeowner, but it would take some people more time and if they had credit problems, it would take time to repair the dent or the ding in credit with some good payment history and maybe a little more income and a little more attention to a household budget. That sort of thing, that thinking, to me, got compromised by the other tools that were out there, whether it was a loan from a source that provided loans to subprime borrowers, or a predatory lender who was charging bad interest rates but didn't care much about the credit worthiness of the borrower. There was a lot more of those tools around, and available through different companies. And so, again, our thinking, which was a lot more conventional, traditional, was obviously out of step with what a lot of folks were getting done. So, we thought that was a really unhealthy trend, that it was going to lead to problems. We never saw the extent of them, the scale of them, but we certainly could see that people were taking risks and homeowners were being offered products that they didn't fully understand. Again, that takes me back to the real importance of the housing counseling network, which we think is a really good tool to make sure that people understand the mortgage product they're getting into, and its consequences, and financial literacy, and support through the home buyer education programs, could have avoided some of these critical issues.

Michael Cai: With predatory lending, you mentioned high interest rates and maybe a lack of properly informing the borrower of what they were getting into. But when you say predatory, what other characteristics do you kind of group under that umbrella of predatory lending?

Bob Kucab: Well, I'll have to say I'm not as knowledgeable about the predatory lending network and product options as many other people. But I generally see that as describing loans to borrowers who are in a financially vulnerable position, and loans which are structured in a way that have real prospects for damaging the borrower further financially. So that generally has to do with high fees and high interest rates. And for the homeowner, I think it has to do with compromising their single biggest asset, which is their home. And they're doing it because they've got some other need that is creating household pressure. And again, it could be a bunch of things. But when you have somebody who's in a financially vulnerable position and you're offering a product that has the prospects for damaging them further financially, to me, that's the meaning of predatory.

Michael Cai: So I guess I'd like to move on to our concluding questions, there's three of these. The first I'd like to ask is, 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?

Bob Kucab: I think there were a lot of things going on at the same time. There was a big expansion of the mortgage origination network with the widespread use of mortgage brokers. So the availability of products was much broader, and by some organizations, some businesses that weren't licensed and may not have had the same standards as traditional banks, and savings and loans, credit unions, and mortgage bankers. I think there was a concurrent expansion of products and this gets to, again, the hybrid ARMs, the Alt-A products, the subprime loans. And I suppose the network was expanding because there was this new assortment of products that had to find their outlet, and the outlet was created because there were these products.

And at the same time, there were investors who were anxious to buy the results of that origination. In the securities that they bought, the private label securities, the GSEs [government sponsored enterprises] to a much, much lesser extent became involved as investors. But it seemed to me there were a lot of new products, a lot of new originators, an overwhelming confidence that the values in the residential housing market were almost not subject to the laws of economics, that they would continue to go up, and that there would always be a way of refinancing out of a problem. And there wasn't enough attention paid to: "How can we ensure that home buyers become successful homeowners and maintain that?" It seemed like it was all about new products, streamlining the origination process, letting people buy a home more quickly, in many respects, letting people buy more home than was otherwise the case, and the focus just changed. It shifted. And it happened reasonably quickly in my memory, and the expansion was so significant and it was coming from all directions. So there were a lot of folks who were caught up in it as a small part of a much bigger mechanism. And when the mechanism failed, a lot of people played a small role, but no one of those things to me was the sole culprit. It was a lot of these things happening in concert.

Michael Cai: …The second concluding question I wanted to ask is, to what extent do you see your personal experience as adding something important to our understanding of what happened in the run-up to the financial crisis?

Bob Kucab: Well, again, I think I came away with some basic beliefs that I would continue to share. I would go back to some of my convictions early on, which were that it's a good idea for mortgage loans to be available through a licensed and regulated network of professionals. It's important that mortgage products be regulated. To some extent, I know there will always be a wide variety of choices and options, and that's a good thing, but there should be some regulation to prevent bad products from being widely circulated in the marketplace. And that includes how those mortgage products are underwritten. Standard underwriting and historical practices were set aside for a period and it turned out to hurt people.

I think it's important that the role of housing counseling both before someone buys a home, an objective third party who can advise the home buyer on the suitability of the mortgage that they're choosing, and the responsibilities of being a homeowner. I think that's real important. And the availability of seasoned counselors after a homeowner has been in their home and experiences some issue that threatens to cause them to go delinquent or to default, somebody to step in and offer some help. So, a network of seasoned housing counselors is important. I remain a steadfast believer that first-time home buyers should have the reliability of a fixed-rate mortgage that's been underwritten with standard and somewhat traditional guidelines. I think it's real important that we don't forget the experience of 100 years of mortgage lending, which tell us about the value of credit scores, and income documentation, and good old manual underwriting every once in a while when there are unique circumstances. And again, keeping everybody focused on: "What does it take to make this home buyer successful."

Michael Cai: Looking back on the crisis over a decade later, what do you see as the most important lessons for Housing Finance Agencies and I guess government organizations or nonprofits that have roles similar to Housing Finance Agencies in helping home buyers and these borrowers?

Bob Kucab: Yeah. Well, I think this does overlap a bit, but again, I think the value of home buyer education and counseling, the value of well-structured and carefully underwritten mortgage products, the predictability of fixed-rate mortgage lending, the importance of loan servicing by a company that can take time with individual borrowers to make sure that they have all the support they need, both as they settle into their mortgage and as they work through it, over time. Mortgage servicing is extremely important. So that again, when there's some issue, there can be early intervention and attention to the problem and ideally a work-out of some type.

Housing Finance Agencies pay a lot of attention to their customers. They're close to their customers. There again is a belief that our real allegiance is to them, and so things like home buyer education, regulated products, a good, dependable origination network, good servicing. Those fundamentals haven't changed at all for Housing Finance Agencies. In fact, if anything, I think Housing Finance Agencies understand as well as anyone in the industry how important those components are and have continued to emphasize all those things in their operations.

Housing Finance Agencies have shown the quality of their mortgage production over time, continue to do that, and continue to be a resource for home buyers that, I think, is really quite valuable. And in some respects, to me, it's the perfect model because it has private sector discipline but public sector accountability, and it really relies on a wide range of partnerships, all of which add a little value to the process. And through all those partnerships, I think there's a level of accountability that keeps the whole system running both efficiently, as well as effectively for the home buyer.

[END OF SESSION]