

AMERICAN PREDATORY LENDING AND THE GLOBAL FINANCIAL CRISIS

ORAL HISTORY PROJECT

Interview with

Wilbur Gulley

Bass Connections

Duke University

2020

## PREFACE

The following Oral History is the result of a recorded interview with Wilbur Gulley conducted by Michael Cai on January 31, 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 narrator.

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Interviewer: Michael Cai

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Michael Cai: So I'm Michael Cai, an undergraduate student at Duke University and a member of the Bass Connections team, ... American Predatory Lending and the Global Financial Crisis. It is Friday, January 31, 2020, I'm at the Duke University School of Law for an oral history interview with Wilbur Gulley, former Durham mayor and North Carolina State Senator and current adjunct instructor in the Sanford School of Public Policy.

Wib Gulley: Right. And I go by the name of Wib, although you're right, the full name is Wilbur.

Michael Cai: Well, Wib, thank you for joining me today.

Wib Gulley: Pleasure.

Michael Cai: I'd like to start a bit by establishing your background. You attended Duke University for your undergraduate and received your J.D. From Northeastern University. Is that correct?

Wib Gulley: Very, exactly.

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

Wib Gulley: I [laughs], probably like a lot of folks, I guess my first experience was in home ownership. And I graduated from Duke in 1970 and on a sort of year-by-year basis. The first few years, kept deciding to stay in Durham one more year. And my – I have a twin brother who also lives here in Durham with his family. We both grew up along with two other brothers and our mom and dad in Little Rock, Arkansas. But Dub and I continued to stay here and ended up buying a house in 1976 about six years after graduation, the two of us together.

It was a modest house, relatively inexpensive and it was built on one of those lots at the ground, slopes way away, so it was up on poles. We called it a tree house, but it was fine. And so, you go through the home closing business -- you get, I guess, where I got my initial sense, although, later on as a lawyer in private practice, I did hundreds of real estate closings for residential properties. The first one though, I probably was like, a lot of folks that I handled the closings for -- they're like, "Oh yeah, those documents. Give me another one." You know, I wasn't deeply reading every part of the deed of trust or the other documents, truth in lending and so forth. But that was my first experience.

Later on, I went to Northeastern University School of Law, as you noted from '78 to '81, came back and started a small law firm with another guy who I became

close, good friends with. And we had a two-person law firm that went from 1981 to 2004, and like I said, I did a bunch of real estate closings. So then, I had to basically understand and be able to explain and articulate the whole process, all the documents in depth. I had to know things to look for that were problems or questions. Most every closing has some things that come up that are issues or questions or concerns that need to be dealt with. So that I think was a much more complete full education about residential properties purchased or sale, you know, I handled sales as well and refinancings and the whole raft.

I didn't deal with them other than an attorney-client sense until I was in the state legislature and I was in the North Carolina Senate.... I was elected I guess in '92 and served until 2004.... And during that time, there were a number of financial issues and residential lending issues that came up. I then dealt with it at the policy level, or what was lawful and what wasn't in North Carolina. And, that also, was a real education.

Michael Cai: Well, I think of interest for our project was your time with the Senate as a state policy maker. And so when you started as a Senator in 1993 to the end in 2004, what would you characterize as the key changes in the mortgage market during that time? And what were you specifically involved with?

Wib Gulley: 50 members in the North Carolina Senate. When I was there, there were probably a majority, sometimes a 26-24, or sometimes a 30-20 majority Democrat. But there were not a lot of folks who you would call consumer advocates or interested in any serious way in consumer protection. So, I became pretty quickly one of the very few senators that folks who worked with borrowing and consumer finance which is not related to real property, but personal property and things or payday lending or residential real estate matters, came to sponsor legislation that generally was trying to maintain or enhance protections that were in place under the North Carolina statutes. And with regard particularly to residential there were... I think that was less of a heated issue at that point than the payday lending, and the consumer finance areas that I carried legislation in. I was a sponsor or co-sponsor, and at times lead co-sponsor of several major bills at that time. Governor Cooper actually was the lead — you all may know that from your research into this — one of the payday bills and we had him and he was great. So does that get at it?

Michael Cai: Yeah, yeah...We did a lot of research into the 1999 North Carolina Anti-Predatory Lending Law. And I'd love to hear about your thoughts and how that ... came to be and what the process was like getting that bill passed.

Wib Gulley: I feel like — and sort of a full disclosure that if you've researched that recently, and I probably have not thought a lot about it over the 20 years, that you know more about it than I do, and you certainly know more about the substance of it. You may know more about what was going on.

So that said, my memory is that there were increasing concerns around disclosure issues, particularly with lending. I remember working with our staff to

get a bill drafted. And when I say I had folks who work in legal services and folks who work with something — that's now called the North Carolina Justice Center, that fits into that — come and talk to me about, we have concerns about these things. Also the guy that I started practicing law with is a guy named Martin Eakes. I don't know if you know Martin or have had a chance to, I was going to say, if you wanted to pick someone who's in depth, knowledgeable, younger and with a better memory, Martin would be great, if you can get a chance to talk to him, I would heartily recommend that. Mike Calhoun is also great... .

And so, so those folks who were paying attention to those things came, came to me and worked with the, the staff to get a bill drafted. And my recollection is that I worked with a guy named Paul Stock who was the lead lobbyist for North Carolina Bankers Association. Because what you want to try and do is get something that — to the extent possible — is not seen as controversial. So, to protections, you talk to the folks in the industry saying this is a way of saying that folks that are doing right are actually being undercut by the folks who are looking to make a faster buck, quicker, cheaper, whatever. And so, if we enforce a floor everybody has to play by, then they're all a fair competition, but it's all on a fair basis. And the folks who are good people doing this are protected actually and their situations enhanced. Otherwise they're getting unfair competition. So that's some memories of it.

Michael Cai: I know in particular there was concern about yield premiums and things like that related to lending.

Wib Gulley: Yes, Mike Calhoun was a bear on that — and Martin [Eakes] too. It was one of those things where when you sat down and calculated the cost of this and mortgage insurance also, it was a rapacious business. And so and again — you guys heard me — but I think what we tried to do is say, "Okay, we're going to put real meaningful consumer protection in there about that into the bill, and hopefully into the law." Yeah, yeah. Well, behind all of that, there's a lot of people out there who were getting hurt and stuck in and, not just in the Triangle, but across North Carolina. And a number of the Legal Aid offices have clients coming to them in situations where their homes are threatened and their livelihoods are being hammered by this. And they're trying to find ways to help them maintain and carry on, and that leads to some kind of understanding about what's going on with those kinds of finance charges. Yeah.

Michael Cai: And so you mentioned the Senate at the time was 26-24, 30-20 Democrats and there didn't seem to be a huge interest in consumer protection. So when you were bringing these laws to the floor, what were some of the obstacles that you faced?

Wib Gulley: Well the obstacle, the main obstacle, was that most of the senators, clearly all the Republicans, or pretty much, most of the Democrats were sort of like, "Things are fine. I don't hear anything about this." Or, you know the first question they ask once you bring this: "What do the bankers say?" You know,

and it's interesting, the mortgage loan market has changed and you all know this as well. But I think back then, traditional lenders — banks to the extent [in the] '70s [with] loans [they] were still doing it — maybe were doing more than half of it. Now of course it's a tiny fraction, if at all. And so that was the key sort of financial interest that they would be interested in and they would want to be protected, which is why you try and work things out with them. So the first thing, part of legislative strategy that I became aware of and tried to do was you want to get there first with your fellow senators about what the issue is and what the story is, because if you got to them first, there's a pretty good chance they would listen to you, and that's where they'd gain their understanding. If you got to them after the lobbyist trying to protect the insurance industry or trying to protect the lenders would get to them, then you had an uphill fight.

Michael Cai: So why did you think the senators were saying, "You know, we don't hear anything like we don't think this is a problem" while for you, and some of these other senators, they were hearing that loud and clear?

Wib Gulley: You know politics is an intensely human occupation, profession and it's all about people. And who you know and who you spend your time with. Let me give you an example. There was a bill to try and deal with the DOT [Department of Transportation] board, which generally at that time, was always appointed by the governor — and the governor always appointed some of the major people who had given them a lot of money in the last election — and then the board would steer particular projects to their own district and sometimes to their own house in their own neighborhood. I mean, it was — conflicts of interest is a nice way to talk about it. And so I had a bill that I was trying to work, sponsor with some other folks who say, we need to, you know, straighten up how the board of the Department of Transportations changed and so forth. And it was controversial, but also, there was clear ..., the newspapers had run some stories and there was some evidence that there were problems we needed to address.

And so I had the bill and I was trying to talk to a couple of the more powerful senators about co-sponsoring or why it was a good thing we ought to be making that a strong part of the bill. And one of them, we were there one Monday — you know, legislators go home, usually on a Thursday afternoon and they'll come back on a Monday afternoon for the Monday evening session — I was sitting there Monday afternoon is my memory with a couple of them — one who went on to become governor or one who was one of the key members of the Senate for a long number of years. And I remember one of them said, "Well, you know, I was at the country club all weekend, I didn't hear anything from anybody up there about this problem."

And you know, I try and find a nice way to respond, but that's the point. Who you hang with — and most members of the Senate either don't work or don't need to work or work for — some of them worked for a bank, some of them worked for a major business and they'd say, "You know, you just go deal with that and don't worry, we got you." You know, and you got an office here, but you don't really need to do much. And so their sense of who's important and

who you get information from is a very different segment from ordinary people, or the folks that I hang with. And then the legislators that had been there at all, if some of the lobbyists or some of the people that work at the legislature for the consumer protection side or for the legal service side or whatever, they [the legislators] are almost immediately suspicious and almost immediately kind of defensive, which is why they would come to someone like me. So I just think there were some hard realities and I don't know that it's changed a whole lot. Is that responsive? I don't know if that gets to your question.

Michael Cai: No, no, I think that was great. So when working with residential mortgages, what were some of those other agencies, whether state or federal, that you had to work closely with?

Wib Gulley: Again, apologizing for my memory not being great. I would think that I worked with the banking commission, North Carolina Bank Commission. I don't recall any federal folks that we've worked with. I recall working with a key staff person for the governor who was sort of wanting to protect the governor's interest and credibility and whatever on this to make sure we weren't going to do anything too crazy. And then with like I said, Paul Stock, the banking association, and some of the consumer and [NC] Justice Center folks. That's who I remember.

Michael Cai: Okay.

Wib Gulley: Yeah.

Michael Cai: So there wasn't too much federal influence?

Wib Gulley: No, that's interesting. You almost wonder, you know, but the FDIC [Federal Deposit Insurance Commission] doesn't exist for us and Fannie Mae and Freddie Mac don't really exist. That could have changed in the last 10 years, but I mean, they just weren't a presence.

Michael Cai: Okay.

Wib Gulley: Yeah. And I don't know who else might've been representing federal interest. None of the regulatory agencies.

Michael Cai: And so what was it like to have [a] public position during the housing boom?

Wib Gulley: To have a public position about raising these issues and trying to make some changes to...

Michael Cai: During the housing boom, yes.

Wib Gulley: Yeah, it was always hard. It was always — you started from an uphill battle position, uphill fight. And it didn't matter how obviously the problems were, how clear the problems were and how obviously people were being hurt. You

still started from that and you had to work it, but we got better. I mean, North Carolina over a period of years from the late nineties — you all probably know this too, into the next — the first five years, became one of the best financial protection states in terms of borrowers and lenders and consumers, I think in the country. I mean it was the number of bills, it wasn't just the one that y'all are focused on, but it was always hard.

Michael Cai: So how often would you interact directly with consumers and what do you recall from these, from these interactions in the housing boom years?

Wib Gulley: Honestly, a little bit, not a lot of direct interaction with consumers who were being impacted by this. I would get stories, told stories. I would have additional sources of information, but, and, and the folks who represented them legally and otherwise, but not, not a whole lot. And you know, it's compelling histories. I mean, they just, they grabbed me with about "How could we have let this happen" or "How could it be letting this happen", kind of sense of it.

Michael Cai: Sure. And so during the housing crisis, at that time you were working as general counsel for the regional public transportation agency GoTriangle?

Wib Gulley: Yes.

Michael Cai: Okay.

Wib Gulley: 2004 to 2014, 10 years.

Michael Cai: Okay. But, so I guess in those months leading up to the crisis were you still in a public position, were you still interacting with consumers or involved with residential mortgages?

Wib Gulley: Hmm. Probably no, I mean I still was in a very public position but to the extent I was doing anything, I was quietly talking with and working with Martin and Mike. I continued doing that for a number of years, not a lot, but some years after I left the Senate, in terms of strategically how to get things done and dealt with during the 2006, seven, eight-ish period, which was horrible.

Michael Cai: So in your role as a state Senator, what stakeholders outside of government did you engage with most?

Wib Gulley: Ooh, that's a good question.

Michael Cai: Take your time.

Wib Gulley: Yeah, how long do you have? Stakeholders outside of state government? The folks in my district and I consider that actually a treat. Sometimes it was a treat you had a lot of. Like, you go to the store to go shopping for groceries, you go to a restaurant to have dinner, you go to church on Sunday — not that I'm terribly

religious or whatever. People stop you anywhere. And in a way, at some point you think, "Oh my gosh, will people ever leave you alone?"

But that's the job, you know, I mean, and they don't get a chance to see someone in person that they think might be able to help them with whatever the issue was or concern was. So that would be the primary group that I had a lot, and ongoing. And then you get folks that, and it's funny, a lot of folks don't have either the time or think about it, but you got a lot of organized interest in the state and you know, from the ones you'd expect to ones you might be surprised, large and small. And they come to make appointments to see you. Or if they've got money, then they have a legislative liaison or representative or lobbyist and they make appointments to come see you. So that's also — oh, you said outside of, uh, state government? So not including colleagues or anything like that or state agencies?

Michael Cai: Well I think all the stakeholders would be of interest.

Wib Gulley: Okay. So yeah, I would include those and I would not just — I mean I would include the folks who come to see you in Raleigh, your colleagues and the state agency folks, whether they have legislative liaisons — but also you can ask them or you can find the right person to say "I want to know more about this clean water permit or about this banking regulation or whatever." So, those are all frequent folks to interact with. I would do some reading. I mean you gotta, that's one way you got to get information. It's hard because life is just a wall to wall when you're trying to do that. But I guess that's another source of information.

Michael Cai: You already touched on this a bit, but how do these stakeholders communicate the concerns with you as the mortgage market was changing and how did your office respond to those concerns?

Wib Gulley: They would communicate it, it's interesting. You do get letters from constituents and phone calls from constituents, or I'd be out in the community interacting with them, but I don't recall getting a lot of that from people about their individual financial borrowing, mortgage, credit, stuff. While that was going on, I would get some, I remember some in the office through letters usually or phone messages. So mostly, it would actually come from the groups that worked with them. Again who would be trying to represent their interest or trying to get something that was wrong and hurting people corrected. That's the primary link and you know we would have a great year. We would get some kind of consumer finance bill where there — well sometimes, because frequently the industry wanted to lift the caps off or move it up to, you know, 36 or 48% interest, stuff like that, so it was a fight to keep things where they were. Some for the mortgage bill and stuff were a way to make changes.

But you'd have a great year and you would get stuff done. And what happens is the people that are working with folks who are low, moderate income and working folks would say, "Great, we got that one done. What else do we need

next year?" And you know, so the circumstances I think were not necessarily that in 1998, there was a problem then we solved it, and then it was fine. There's probably 1998, there were four or five problems. Let's pick what we think is the major one and try and get it addressed and if we're successful, we'll come back and ask Senator Gulley, Senator Cooper, Senator, whoever, Miller, let's take up the next one on our list of things to try and address. And so I'm sure circumstances were evolving during the time, but from where we were, it was more like what, what seemed urgent at that moment and why. Does that make sense?

Michael Cai: That makes sense. So did you and your colleagues express concerns to each other about anything related to the housing mortgage market during that time? I think you mentioned this briefly, and what sort of policy changes or initiatives did you pursue, whether it involved monitoring, enforcement, or changes to regulations? [Laughs.] There's probably many.

Wib Gulley: [Laughs.] I think there were several major financial bills. You don't mean just for the one bill in 1999, but you mean in general as well? It involved, I think, a lot of the things that you touched on. It involved regulating areas that weren't regulated, with hopefully good standards and good requirements. It involved modifying existing regulations to make them more effective and involved. So it was some new policy and some revamping of existing policy. What were the other things in the list that you —

Michael Cai: Just monitoring, enforcement, and changes to regulations? I think specific to policies related to housing in the mortgage market.

Wib Gulley: Right. So, I think the feel of the legislation, that I recall, was a lot more regulatory, either new standards requirements or strengthening of existing ones or fighting to keep existing ones from being watered down. The enforcement is key, you know, and y'all study the stuff, don't you? Pass the law, great, then don't do anything. Are you going to, is it going to be enforced? And that was a little bit beyond us generally in the legislature. I mean, you could lob on or whatever. You might make a crime, it's a misdemeanor three into a felony one or something like that. But it's to try and get more enforcement. But, so, I don't think enforcement was something we were able to do as well. The, the budget appropriations process, sometimes you could get a little bit down there. I don't recall any particular strong measures that I was able to get done that enhanced enforcement directly.

Michael Cai: And so what were some of those issues that were related to ... getting enforcement to actually happen?

Wib Gulley: Oh, well, nature of law enforcement in North Carolina — whether you're talking about sheriffs and police departments or you're talking about the attorney general or you're talking to about any state highway patrol — any of those is that they have more laws to enforce — and people who are not in compliance to go after, then they have resources. So they do a prioritization based upon

what they think makes the most sense. And that's not necessarily what every state legislator thinks makes the most sense. In fact, there may well be a lot of differences there. And what they would say, I think in fairness to you is we are always under-resourced or have been consistently under-resourced and so we can't enforce everything. And so we do the best we can. So one of the things that I could do is try and talk some about what would it take to get more enforcement over here. And usually it was resources in that I was involved with the budget, some as well every year.

And so you try and make some difference there. But that I think is more tenuous. Sometimes if you could, you'd work with the particular — the attorney general and some of his staff was key here, and to some small extent the banking folks — you try and work ahead of time.... "We're going to make these changes" or try to make these changes in the statutes with you all then go and doing that. And they, you know, you try and get them to say, "Yes, we will do that," you know? So that was the other way, but that's mostly a job-owning kind of thing.

Michael Cai: And I guess specifically for the 1999 Anti-Predatory Lending Law and some of the enforcement measures there — in terms of mortgages following those rules and following what came with the license — how effective do you think enforcement was for that specific policy?

Wib Gulley: Gosh, you know, it seems like, yeah — I wish there that I was familiar with studies or something like that that would give you really hard data or some real feel for that. You know, I don't know that my one person impressionistic sense of it is, but I think it got much better from what folks said. You know, it made some difference and it gave the borrowers who were stuck with some of those problems a much better way to avoid them getting stuck in the first place or to unravel the situation that they found themselves in. So I think that they — I didn't hear that we still have the problem or that we need to do more or whatever generally. I think so. I'm hopeful that they were effective.

Michael Cai: I remember when doing research, I think you were hoping to follow up on the anti-predatory lending law with some additional laws to continue to address anti-predatory lending.

Wib Gulley: Yes.

Michael Cai: Could you speak on that perhaps?

Wib Gulley: Michael, boy, I just, I just wish I remembered better the several different laws. My sense is — that's probably a good quote — and what it meant is we got some things taken care of and there's still more things out there that need to get dealt with. But I think what happened is some of the other issues that consumer finance credit and predatory lending may have been what I was, and payday lending may have been what I was thinking about. And we did go on to

do some things in those areas. I honestly can't remember what else I was thinking of needed to be done specifically at that time. But there was a series of things that I was really proud of that we were able to get put in place. Those are the three main ones.

Michael Cai: Could you restate those three?

Wib Gulley: Sure. Yes. Well again, my recollection is that the predatory lending thing was wonderful. It was a breakthrough. And the payday lending — y'all familiar with payday lending and the legislation on that, or the practice?

Michael Cai: A little bit less familiar.

Wib Gulley: Yeah. It's still a current issue in some ways, but people would set up little loan offices and said if people will loan you money depending on you paying us back with your next paycheck two weeks from now, or we can have from a week from now, a week now or whatever. And this is just to help you on short term problems come up, we're going to help you. But the interest rates are unbelievable; 100% in a lot of cases. And so it was just awful practice. And people would get in this thing where they get the first payday loan and then they wouldn't quite be able to pay. They got the next paycheck and they could pay some, but they couldn't pay it off. They said, "We'll give you another payday loan. It'd be for more, so did you could pay what you owe us plus keep going," and people are getting the spiral of debt and the statistics on that were just horrible, and so it's going on across the country.

...[A] person or several people would start this and they were making millions and millions of dollars getting rich very fast off this. So that was a big fight and North Carolina put in place one of the first, if not the first, maybe Georgia — Michael [Calhoun] and his folks were working here and in Georgia, but we were one of the first and got a wonderful law put in place that basically shut them down. And boy, they just were really pissed off. And it had a four-year sunset. Did the predatory lending thing also have a sunset on it? Do y'all recall?

Michael Cai: No.

Wib Gulley: Okay. Then, I think it was the payday lending. You had a four-year sunset and so it put them out of business and then they spent the next three years just working as hard as they could, spending a ton of money on lobbyists and a number of my colleagues in the Senate became their water carriers to make sure that it was killed.... But we won that battle too. So, that was an interesting fight around lending. It was not mortgage lending. It was individual consumer lending. And then we had a fight at least once about — but I think two different times — one was to strengthen the consumer finance laws and the protections for the folks who were borrowing so that they wouldn't end up with exorbitant interest rates as number of them had and other sort of predatory features of it.

And then and so I think first they came and they said, we need to jack the rates up because economically it's a hard time and we're being squeezed and we're just trying to help these working folks who really need help. And so that we fought that off. And then we went back to try and strengthen the law to make it even better than what was in there. And I think we were successful. But anyway, that was the other one. And that it may sound similar to payday lending, but payday lending was a specific kind of narrow practice — rapacious though. And consumer finance, sometimes you borrow for a car, you borrow for your kid's needs, for healthcare, you borrow for personal needs of a wider range of things. And those are — I mean the payday lending things — still a battleground. You know, the Republicans have been in charge in Washington for a number of years and they had national legislation to wipe out, basically preempt state laws and say, we're gonna make it good. But it wasn't good. It basically deregulated them to go again. And there's been a big fight about that. [Michael] Calhoun can tell you more about that. Have y'all already talked to Michael [Calhoun] and Martin [Eakes] and his folks? But you think you will, or you hope?

Michael Cai: We hope to.

Wib Gulley: Good, yeah, I think it's so important. I mean, this is a history, right? And something like that. Yeah. So if you have trouble with either one, let me know. Mike does come here some once or twice a month. March a lot more, so. Okay.

Michael Cai: And when you say fighting these battles, like what does that look like? [Inaudible.]

Wib Gulley: At the end, when it got hot and heavy and it did on the predatory lending and it did on payday [lending] and stuff like that. We may have someone from the Center for Responsible Lending. We may have a couple of folks — actually have a couple people, but we wanted two people from them. You'd have maybe two people from the [North Carolina] Justice Center. You may have one of the consumer advocate or whatever, but you're up against probably 15 or more lobbyists for the industry. And every Senator is a target and lobbied intensively and every Senator feels the hammer.

And so in part for them, a lot of them have fears, less of what the merit is to the issue, although that's what it ought be on. It's more, some say, "Who do I look to for contributions in the next election?" So some say, "How will this hurt me in other ways?" Some think, "What's the governor doing?" Some think, "What's the guy who's the head of the Senate?" It was [Marc] Basnight at the time — or Basnight and Tony Rand or Dave Hoyle or some of the people they look to as a conservative, is this safe or not, kind of thing to do. So it goes on for weeks and it's okay. I mean, sort of that's the way things are done. But yeah, it is a battle royal.

Michael Cai: And so by the time you retired from the General Assembly, what were your thoughts of the current health of the residential mortgage market at that time and thoughts on the future?

Wib Gulley: What did I think about it, in 2004?

Michael Cai: Yeah, [inaudible] a few years before the financial crisis.

Wib Gulley: I know. Yeah. I just want to be clear about this place. I think by 2004, in part because I had friends who were involved in the mortgage industry and in concern about consumer protections, the Center for Responsible Lending and Self-Help [Credit Union]. I thought there were problems and they were growing and there was irresponsible stuff being done and you know, underwriting standards were being basically blown away and lending to people beyond their means. And you could already see that starting and going on back then. And it was scary. On the other hand, I didn't know what I could do about it at that point.

Michael Cai: Over the last decade we've seen a number of different narratives emerge to explain the financial crisis. How do you understand what caused the crisis?

Wib Gulley: That's a great question. That's good... It seems — I mean it is true, there were multiple parties, it's not just one party's thing. But I think the sort of major actor, the major motive is greed. The major actor are lenders. And you have lenders like to see themselves as respectable, but they would have subsidiaries that were doing it if they weren't doing it themselves. Anyway, it was mortgage lenders and the mortgage finance companies and the greed of those people for fast money, big money.

Now, I think Fannie Mae and Freddie Mac certainly have a role to play. They let them come up with these slice-and-dice packages of mortgage loans that I don't know that they understood. To the extent they understood them, they ignored what should have been seen as pretty clear dangers. They were very sophisticated, very complicated ways of arranging the financing, as you all know. So I think secondarily, I would say they had a role to play. I think the bonding agencies, the credit agencies are just directly implicated in what happened for obvious reasons.

And so you know, Congress, maybe I put them fourth in priority in terms of failure to regulate and provide oversight. And it's so interesting, you know, you start to look at the American economy and you see folks whose work really leads to productions of goods or services. Right? And this is none of that. This was just people whose job was to take things and figure out complicated ways without enhancing production of goods and services, but to package things to make more money off of them, and to sell these financial instruments that were just lethal. So anyway, that's my take. You know, I'm sure there's a lot more knowledgeable and sophisticated people who might be able to give you better analysis. Yes sir.

Michael Cai: And so, to what extent did you see your personal experience as adding something to our understanding of what happened to the run up to 2007-2008?

Wib Gulley:

Oh, well, I think that probably actually the payday lending thing as much the predatory lending thing was important but seemed smaller in a way and the payday lending thing was a bigger deal. But those two sort of teed up the issue of financial interests that were willing to in ways that had not been seen or done before, cross lines to try and make money and do it in ways that seemed more outrageous and greedier than we'd tended to ever see before. And so what that provoked is a reaction of folks who got good at focusing on the details of what is going on here from a consumer side, not from the lender side.

And then, working among themselves and then working with colleagues and then working with legislators to say, "This is the horror show that's going on and here's how we have to push back and here's what, here's what needs to be done." I mean, you could come to me and said, "Predatory lending is going on with this thing," and I had to be educated. Right? "What do you mean? And what's the details? Well, then what do we do about it?" And you know, I'm smart enough to figure some of that out, but a lot of it not.

So, I would say that the great thing that happened is it provoked some of those folks to get in play and to get focused on the financial lending industry. And to have some of these battles that led to a savvy and experience and figuring out how to deal well with the legislature. They didn't — they were great people, but, but legal services ain't dealt with this area much before that and CRL and Self-Help hadn't dealt with it much at all before that. And so that got them really into it, both from an expertise in the area plus a sense of how to win legislative battles.

So that when the bottom dropped out and the in the Great Recession and the kind of hard, horrible lending from the borrowing that went on in the treatment of borrowing that really hammered more than just the people who owed on the mortgages. It hurt a lot of people. They were able, I think to push back. And it's funny, I think it all accumulated — in my mind with the establishment of the federal agency, the Consumer Finance Protection Bureau — as sort of small problem, blow up bigger problem, blow up bigger, and finally, oh my God, we've got to get a way at the federal level. We react more thoughtfully and more intelligently to try and keep these things from happening. Cause they've — The Great Recession, it almost sank the country.

Michael Cai:

And so looking back on the crisis over a decade later, what do you see as the most important lessons for state policymakers?

Wib Gulley:

One is, you can't relax and trust what seemed to be good, respectable people who were involved with lending to not do questionable and even outrageous things to take advantage of people to make more money. You should never underestimate the tendencies for that to happen. Cause we saw it happen, as I said, again and again. And so the corollary to that is therefore you have to always adequately fund and legislate to provide protection for citizens. You know, consumer is just another word for the citizens and the borrowers, particularly low and moderate income borrowers I think tend to get targeted

and hit more. They have a tougher time understanding what's going on with that industry, and wealthy folks tend to find ways to protect themselves.

And so I think those are important for state-level policy makers. Anything else? I think that even with what was going on there in '99 and the few years after that we were slow to react to the problems at the state level. And I don't want to give a prescriptive answer to that, but if there's a realization that not only will people try and do stuff, but that we have to find faster ways to understand what's going on and respond to it strongly, you know tripwires that let you know, earlier, quicker that you've got to do something here. Not to hurt anybody, just to protect the — not just your citizens — but as we know now, the overall health of your economy at the state level, it depends on it.

[END OF SESSION]