AMERICAN PREDATORY LENDING AND THE GLOBAL FINANCIAL CRISIS

ORAL HISTORY PROJECT

Interview with

Jeffrey Loeser

Bass Connections

Duke University

2020

PREFACE

The following Oral History is the result of a recorded interview with Jeffrey Loeser conducted by Sean Nguyen on November 5, 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.

Transcriber: Neha Vangipurapu Session: 1
Interviewee: Jeffrey Loeser Location: Zoom
Interviewer: Sean Nguyen Date: November 5, 2020

Sean Nguyen: I'm Sean Nguyen, an undergraduate student from the University of North Carolina at Chapel Hill and a member of the Bass Connections American Predatory Lending and Global Financial Crisis team. It is Thursday, November 5th, 2020. And I'm speaking via Zoom with Mr. Jeffrey Loeser, Principal Assistant Attorney General in the Ohio Attorney General's office, for an oral history interview today. Mr. Loeser, thank you for joining me today.

Jeff Loeser: Yeah, you're welcome. And thank you for having me.

Sean Nguyen: I'd like to start by first establishing a bit about your background. You received your B.S. from The Ohio State University in 2004, and a J.D. from there in 2007 as well. Is that right? And are you originally from Ohio?

Jeff Loeser: It is right. And yes, I am. I grew up in the Toledo area, which is Northwest Ohio, a suburb called Sylvania, and moved down to Columbus when I went to Ohio State and then stayed ever since, so, Midwestern kind of guy.

Sean Nguyen: … You started your career as an Assistant Attorney General within the Ohio Attorney General's office in 2007, in the very early days of the financial crisis. Can you describe a little bit about your official responsibilities then and how they related to the market for residential mortgages?

Jeff Loeser: Yeah. … so I joined the office right out of law school in September of 2007 and I really had no, no plans or intention of really being involved with predatory lending or mortgage foreclosures when I joined. But they were talking with me and said, hey, we're starting to see some foreclosures and we're starting a group to look at this and pay attention to it. And we need a first-year attorney to kind of help out with it. Would you like to do it? And it sounded really interesting, and I said sure. And for the next 12 years or so, it was a lot of what I did. My duties early on were – so back in 2007-2008 was kind of right when a lot of the foreclosures were happening. And at least before the financial crisis in 2008 was primarily focused on subprime loans.

And I would say that my duties were really kind of two things. So the state of Ohio with local companies like bad mortgage brokers, a lot of appraisers, started to see some foreclosure rescue scams. Consumer Protection would just file local cases and enforcement actions against them, usually getting money back for consumers or shutting down the company. And then secondly, we started to look a lot at some of the more national larger players, particularly some [of] the larger mortgage originators in the subprime field, and then the mortgage servicers … a little bit less enforcement and more trying to work with them on figuring out what was going on and corrections we could make.

Sean Nguyen: And just to reiterate what I heard correctly. So your responsibilities were primarily two: the first of which was sort of enforcement actions against mortgage foreclosure scams or things like that. And the second one was – could you explain the second point again as well?

Jeff Loeser: Yeah, so [it'd be good] to back it up a little bit. So [as] a consumer protection attorney with the AG's office, ... we both monitor companies and kind of work with the companies to implement best practices. And then with really bad actors we'll take enforcement action and usually a court action against them. And so there were enforcement actions. But particularly against the bigger national companies, early on, we were starting to meet with mortgage servicers to talk about, hey, foreclosures are starting to rise. Are there loan modifications you can give? Are there steps you can take to help individuals, borrowers get better or quicker assistance on the phone? So I guess the second part of it would be working with companies, talking with them about what they're doing, what they're seeing in the market. Are there ways that we can help or is there advice we can provide? And if there are problems that are potentially illegal or practices that are illegal, we'll look further into it and see if action has to be taken.

Sean Nguyen: And were there other agencies whether state or federal that ...the Attorney General's office in Ohio worked closely with on issues relating to the residential mortgage market?

Jeff Loeser: So, yes. I'm trying to think like back in 2007-2008, so at least in Ohio, there is the AG's office. And then there is the, in the Ohio Department of Commerce, there's the division – Division of Financial Institutions, which regulates both Ohio banks, but also various non-bank financial players. And so we would work with them and sometimes they would have regulatory authority over the companies. We also would work with the Ohio Housing Finance Agency, which is – OHFA is what we call it. They provide like FHA [Federal Housing Administration] type loans to Ohioans. But during the foreclosure crisis, [they] also ramped up in kind of being the frontline call center. We called it Save the Dream Ohio, where if a consumer or a borrower [has] had problems paying their mortgage, ... they would generally call Save the Dream and Save the Dream would refer more complicated things or potential illegal allegations to our office for enforcement.

And then in addition to the local agencies, we also worked very closely with other state Attorney General's offices throughout the country. So we formed, what did we call ourselves? We called ourselves the State Foreclosure Prevention Working Group at that time. And I want to say there were 10 to 15 state AGs as part of it and Ohio was one of them. And so we worked with them and talked with other states about what they were seeing. And also more importantly, it's sometimes easier to, when you're looking at larger national companies and working with them, it's easier to work together, both to save everyone's time, but to kind of increase the power of the combined states. So yeah, we would work with other state AGs as well.

Sean Nguyen: … Can you talk a little bit more about that work that you did with other Attorney General's office[s] and then specifically, what states opted into that, [or] opted out of that? How was that group formed? And then again, what were the responsibilities that that group took on?

Jeff Loeser: Yeah, so it's an interesting question because the duties changed over time and actually it's still like to a certain extent still in existence. And I've basically sort of in the last year dropped off the calls, but the Ohio AG office is still part of it. So it formed in the summer or fall of 2007, actually, I think right before I joined the office. And my memories of how it first formed was – states were starting to see these subprime loans default. And it was clearly becoming a problem. This was maybe a year before like the true financial crisis [in the] fall of '08, where it shot up a ton. But even before – so I guess, even going before 2007, states have always worked together in a multi-state context where if there's a company or a problem that applies nationwide, it just makes sense for states to work together and looking at it. The big tobacco settlement in the ‘90s was probably one of the first major ones, but the states had worked together in some subprime lending cases. Ameriquest is the main one. And actually that was a little bit before my time. So I don't know a ton of the details about it, but we drew upon that to start this Foreclosure Prevention Working Group. The states that were involved – and I'm sure I'm going to miss some – but the ones that I remember the most are: Iowa kind of took the lead in it. Attorney General Tom Miller. Illinois, Texas, North Carolina, Ohio, Massachusetts, Colorado. Washington was involved a lot. California. Those are some of them.

And then other states have come in and out over the years. Oregon, if I didn't mention them. Yeah, North Carolina has always been involved. Maryland, occasionally. So those were some of the states that were involved. There's always been – [it’s always] tried to be a bipartisan effort. But they try to have both Republicans and Democrats in the group. And that's kind of how we formed and who was involved. And at least early on, it was, it wasn't so much [an] enforcement or case-bringing group so much as we just want to talk with the industry about what's happening and see if we can kind of get some ideas of what's going on in the world. And are there ways that the states can help what's going on – states would help avoid foreclosures and help create these contacts with the companies involved.

Sean Nguyen: …[C]an [you] recall a specific case that you worked on early on in your career, either in that multi-state working group, or even in the Ohio Attorney General's office that dealt with residential mortgages and what that case experience was like?

Jeff Loeser: So the biggest one, and I'll go with the multi-state cases, but if we want to talk about Ohio specifically, I can try to remember some going back then, but by far the biggest early one was our case against Countrywide in 2008. So Countrywide was one of the biggest subprime lenders in the early to mid-2000s. At least one of the biggest that wasn't part of a national bank. And they were – I think I can fairly describe it as issuing problematic loans that were what we would call Pay-Option ARMs [adjustable-rate mortgages], where your rate changed constantly. And it wasn't just a variable rate, it was a loan where you could literally choose how much you want to pay each month, and you can choose to pay less than ... even the interest to pay for it. And so your principal would go up, which is obviously problematic. I...If you're an experienced lawyer ... or a law student, you might understand that. But a lot of people I think got confused and started all the sudden realizing that they ... owed much more than they thought they did on their loans.

... Countrywide and a lot of these lenders thought that, oh, when these problems happen, we could just refinance the house because the house will have increased in value by tens or hundreds of thousand[s] [of] dollars at that point. And then the market crashed, and that was impossible. So here – you have this going on. And so we, as the states, got together. Countrywide, ... at the time, we thought was one of the worst actors in this field, and we investigated them and reached, what at the time, I thought was a very groundbreaking settlement with them in, I believe, October of 2008. The main part of it was, first off, we were going to send checks to borrowers who had been foreclosed or lost their homes to foreclosure. But even more importantly, we set up a standard where certain individuals, if you met certain characteristics on income or the amount of your loan, or the type of your loan, [you] would automatically qualify for a loan modification, and this was pre even the Obama HAMP [Home Affordable Modification Program] – the federal HAMP program, which started in 2009, before I think some of the early Federal Reserve type loan modification programs. It just wasn't done at the time.

And Countrywide was, I think, probably the first major settlement where loan modifications were viewed as perhaps a good way out of these problems. And certainly like changes were made future cases. But I'll always remember that as really being the first major predatory lending action or settlement that wasn't just a small local mortgage broker in Ohio.[1]

Sean Nguyen: … Could you explain specifically that loan modification program that Ohio rolled out, what did it look like? And ... why was it so groundbreaking?

Jeff Loeser: Yeah, so let me – I may not remember like the actual details of it 12 years later, and just to be clear, it wasn't just Ohio. This is all the states. But what the idea was and I think it actually — [I'm] trying to remember back on the details. I think the HAMP program, which the federal government developed several months later really kind of followed the Countrywide settlement. But the basic ideas were if you didn't have enough money to pay your mortgage, and there were

[1] Gretchen Morgenson, "Countrywide to Set Aside $8.4 Billion in Loan Aid," The New York Times, October 5, 2008, https://www.nytimes.com/2008/10/06/business/06countrywide.html

calculations basically of your income compared to your debt payments, your DTI [Debt-to-Income] ratio, you would then walk through this waterfall where we first try to basically take different steps within your loan to see if there's ways to modify it. And you try to do the simpler ways first before you get to more complicated. So you first try to reduce your interest rate to somewhat normal prime levels. I'm trying to remember if at the time Countrywide had principal reductions in the end. I honestly can't remember off the top of my head. Certainly principal reductions became a bigger thing within several years of that.

…[It changed from] you have to prove lots of very specific things to if you meet these qualifications, you basically should be considered for a loan modification, which at the time was a pretty big leap. And it did all rest – the backstop was always what we called Net Present Value. The security holders of the loans, whatever loan modification was done, had to long-term still be revenue neutral.... And so the idea was that there wasn't a loss. Now I think back at the time, there's always the question of like, if everyone's benefiting from this, why was like the government action even necessary? If these were modifications that would help the security holders long-term. [We were] able to convince a lot of industry players that no, this actually is the best way; that if we don't do this, people are going to lose their homes. Foreclosure costs everyone money. It destroys neighborhoods. You lose property value even around the neighborhood. And yeah, I think it was a good step. I think a lot of HAMP was kind of, to a certain extent, was based on some of the Countrywide stuff.

...The National Mortgage Settlement several years later kind of built on it and made some changes, but Countrywide was the first big one that I remember. And what's maybe interesting with Countrywide is it was very much a subprime lender. So modifying these loans ...-- there was an illegal action that occurred for the person getting the loan. There was some sort of violation of of state law when these loans were originated, [so] ... a good, legal remedy to that was to correct the loan or if the person had lost their house, to send them a check.

Sean Nguyen: [The Ohio] Attorney General, Richard Cordray, brought a suit against Carrington Mortgage Services in 2009, which is a servicing firm that took part in the Home Affordable Modification Program,... that you had mentioned. Were you involved with this lawsuit?

Jeff Loeser: I was, yeah. And go ahead and ask some questions. I'll try to refresh my memory of kind of the details of that one.

Sean Nguyen: ...[W]hat legal strategy did Ohio's Attorney General's office employ in a case or cases like this one?

Jeff Loeser: So, yeah, so this was actually, this would have been 2009, I believe. The summer of 2009. I might be off by several months [with] that, but ... by this point, the mortgage crisis had kind of moved into what I'd call the broad economic financial crisis stage, where you're no longer looking at just subprime loans, that the way they were structured led to defaults. You're basically looking at a lot of people who had normal fixed rate or normal variable loans, who all of a sudden lost their jobs because unemployment was at 10% or whatever. And the problems we would start to see with the servicers was that many of them were just not able to provide the services that were necessary to service the number of loans that were needing help. And I'll have to say, I don't remember specifically, for Carrington, what we alleged. I think there were also several other cases we brought, I believe we brought one against HomEq [Servicing] and several others that I don't want to get the names wrong, because they changed so much and were bought out by banks and what not that I can't remember. But our allegations were generally along the lines of – Ohio's Consumer Protection Act requires that you provide reasonably reasonable services and not unfair services, and if you're supposed to be providing servicing that you're not able to provide, because you can't answer the phones, you can't provide the help that you're required to. We alleged that was a violation of the CSPA [Consumer Sales Practices Act], and I'm sure there were other specific allegations, like company by company, but I just honestly don't quite remember what they were.

Sean Nguyen: … [Were there] any other cases that the Ohio Attorney General's office brought against other mortgage servicers?

Jeff Loeser: And I'm sure you could Google this. And there was one …, we abbreviated it AHMSI. American Home [Mortgage] Servicing [Inc.], but I'll have to check on that. I'm sure I can follow up in an email. There were several cases that were brought. My memory is that most of them we ended up settling for similar kind of relief. The other kind of major multi-state cases were settled for basically improving your servicing, providing people individual contacts, setting up firm timelines by which to respond to loan modifications. So interestingly, and I'll also say, so several years later, the Ohio Supreme Court actually ruled that in many cases our Consumer Sales Practices Act does not cover mortgage servicing. So we've kind of backed off litigating some of those cases, but we still work very closely with servicers and people basically just passing on complaints from consumers saying, hey, can we work this out? Are there ways to work it out?

Sean Nguyen: Could you describe your role in the Attorney General's office during the 2012 National Mortgage Foreclosure Settlement? I know you had mentioned it previously, but were you involved in the negotiations with GMAC or Bank of America, Citi, Wells Fargo, et cetera?

Jeff Loeser: Yeah, I was. So I was – I would have been a third- or fourth-year attorney at the time. So there were two other attorneys in the office a little bit senior to me. Susan Choe, my Section Chief in Consumer Protection at the time was very involved, but I was also an attorney on it. Ohio was part of the Executive Committee of the ... the robo-signing investigation. So the way state and multi-state works, any state,... if they're interested in an area, can join a multi-state. But just because there's so much going on, whether mortgages or just the consumer protection world in general, they usually appoint, the groups can appoint a group of states – five, 10, 15 – to be what we call an Executive

Committee. And Ohio was on the Executive Committee. So yeah, I was on most of those phone calls and negotiating with the banks and just figuring out what was going on.....

Sean Nguyen: ...[C]ould you provide just a broad overview of what that case was and exactly what that settlement was? What happened?

Jeff Loeser: ... I generally refer to the start of it as the – what we call the robo-signing scandal. Although it kind of expanded into other things. So the robo-signing scandal broke I want to say in September of 2010, and I kind of remember it as just like the busiest time in my 12 years as a consumer protection lawyer and just the amount of media attention to what was going on. But – so basically the baseline robo-signing allegations are, every state that has a judicial foreclosure process, … [that is,] when you file for foreclosure, you have to go to court to actually do it, you're required to sign an affidavit saying,... here's who owns this loan. Here's the debtor, here's the bank or other security holder. Here's how much is owed on the loan. Here's how much it's been missed. Usually there's some other statements such as the debtor is not an active-duty military service member. And you have to sign all these with personal knowledge.

And in most states, including Ohio, [you] have to get them notarized. And basically what kind of broke [and what ended up] coming out of some depositions of some companies was that many, many, many of these affidavits were being signed by people who didn't have any knowledge of the underlying facts in the affidavits. And – now all of this is kind of electronically kept -- it's all more or less pulled from the bank or the servicer's electronic files. But there was supposed to be somebody reviewing that this is accurate, that it lines up with the loans. And, you have people, I kind of remember allegations of people signing thousands of affidavits a day. And it was just so abundantly clear that there's no way that the person involved had personal knowledge of what was happening. And what this led to is, there wasn't normal, and I'm sure it happens sometimes, but not like an incredibly often thing where like you literally foreclosed on the wrong person. … I do remember seeing a lot of misstatements of the amounts due or what was owed. Whether some of the military [Servicemembers Civil Relief Act] statements. Yeah, like errors on mis-payments, and even if there wasn't errors, there's still reason when you're in court, why you need somebody to affirm and swear under oath that they have personal knowledge of the documents that are being presented to the court.

So anyway, all of a sudden it came out that pretty much the entire industry, although I'm sure that there were some companies that were not doing this. But at least many of the large players were having people sign most of their foreclosure affidavits without personal knowledge. And very quickly, I believe a lot of companies stopped doing foreclosures, when this came out, at least for a short amount of time.

So, ...to the best of my memory, we were the only state to actually bring a lawsuit prior to the National Mortgage Settlement against one of these companies. And that was against GMAC that we filed in Ohio court. I believe it got removed to federal district court in the northern district of Ohio. Basically alleging that these foreclosure affidavits were in violation of Ohio law and that foreclosures should be stopped until it can be figured out. And then very quickly the states also came together into what became known as the National Mortgage Settlement. And I believe, in the end 49 states, everyone except for Oklahoma, I think joined the settlement. What happened was kind of building off the state foreclosure prevention working group that I worked on [during] Countrywide. Some of the states that had worked on Ameriquest going back to the early 2000s, came together and began investigations of this and began negotiating with the banks. But it also kind of quickly grew beyond just robo-signing allegations to a number of origination problems that had been going on since the mid-2000s and the servicing problems that we had seen during the financial crisis. So these things about not processing documents within the required timeframes, not providing even phone service – staying on hold for hours, things we would call like a dual track servicing where you would file for foreclosure while you're telling the person, Hey, we're working out a loan modification, don't worry about this. So kind of all these things kind of merged together into the National Mortgage Settlement. And it was long, it was intense, it was really interesting.

I think the winter-spring of 2012 is when it settled and, really, I think did some really good stuff for the industry. The settlement itself -- several major parts to it. There were what we call servicing standards..., where we put a lot of these changes into place where the banks were now required to correct a lot of these bad practices that we had seen, provide what we call a single point of contact. So when you call in, you have one person that you talk to if at all possible, preventing dual tracking, requiring that the person signing the affidavits have personal knowledge. Second part was that they had to give billions of dollars of relief to consumers, whether it be loan modifications, or checks and payments, and then finally just some money to the states. Ohio ended up using a lot of its [funds] on basically destroying abandoned and foreclosed homes that had brought down property values in Ohio so much. I think it was industry changing. It was really interesting to be on....

Sean Nguyen: ...[Y]ou mentioned that you were on the Executive Committee, or you were involved in a lot of those calls and those negotiations. ...[W]hat were those calls like with those banks and what were those negotiations like? Specifically, what was the dynamic like between the Attorney General's office and then these mortgage servicers?

Jeff Loeser: Well, I should preface this by saying that even 10 years later, I can't talk about any sort of privileged or confidential discussions that we had. So I probably have to speak a little bit in generalities and what eventually came out publicly. But I think the biggest thing I remember at least early on was getting through to the banks that no, these actions actually are in violation of the law in that the remedies are remedies because of the violations of the law. And you would hear a lot about, oh, you're giving loan modifications to people who don't deserve them or you're handing out money or something. Or the banks particularly saying like, there's nothing wrong here and just convincing them that no, there's a reason that state laws, including Ohio, require that you be honest in the documents that you swear before a court. That if you were anybody but a national bank or anyone but a bank or a large financial institution and came into court with affidavits that you had not reviewed or looked at or just form printed off a computer, that the judge would yell you out of court. And there was – so I think initially there was a lot of back and forth about that. Then once we ... got that [point across], I think people kind of realized that, yeah, there were violations of the law and unless you want to be involved in a giant court litigation for years, it's probably best if you try to settle this.

...[T]his was really a back and forth between the banks and between the states. And every state has different interests in on the ground conditions. So Ohio, interestingly, [looks] kind of really bad early on. Like 2006, 2007, I think we had more subprime loans than a lot of states and places like Slavic Village in Cleveland. I toured, I think in 2008, and just almost literally like every third house was vacant and abandoned and just so depressing. We're still in some ways recovering from it. I live in a neighborhood that was kind of hit hard, not every third … house, but several houses on every other block that are vacant still 10 years later. But other states, I think once the actual financial crisis in 2008 hit, had slightly different [impacts], like Florida lost a ton of equity. California, I think lost a ton of equity. And so ... different states have different problems. You also have just different state AGs have different philosophies.

And so there was a lot of back and forth among states and between the banks about what is the best way to correct this problem? How do we remedy what's going on? How do we help people stay in their homes? How do we make sure the banks don't go bankrupt over this? And so there – and yeah, again, I can't really talk about some of the confidential and privileged conversations with it, but it resulted in a settlement that I think was a very good settlement and that all the parties agreed to....

Sean Nguyen: ...[A]bout the multi-state working group that was formed --... how exactly did that group work together? Because I imagine with so many different Attorney Generals and Attorney General's offices, as you said with different states having different priorities, it could be akin to a lot of cooks being in the kitchen. How did y'all come together to make these national suits happen? Just what was that process of working with those groups like?

Jeff Loeser: For the most part, incredibly collegially ... at a staff level. ... I obviously was not the Attorney General of Ohio... – I believe the Attorney Generals themselves would occasionally have calls. But at a staff level, we worked really well together and still do. And it's not just mortgages, it's any sort of multi-state. I was involved in a big multi-state against the credit reporting companies and [it had] very similar dynamics where the states that are kind of most interested will usually form the Executive Committee.

And so the Executive Committee in the National Mortgage Settlement was a lot of the same states that were the first ones involved in the State Foreclosure Prevention Working Group. And we, gosh, in the heart of it I feel like we were talking on the phone every other day, if not every day. And then you would occasionally update all 50 states or all the states that were part of the larger multi-state and those calls [were] once a week, once every other week. And then at the same time you had calls and meetings with the banks and also with like other interested parties. So we would occasionally meet with some of the security holders, the note holders, which are oftentimes different than the bank. Advocacy groups. Housing counselors, and groups that help people who are going through foreclosure, had wonderful ideas. … It is all under both a threat of litigation and a national emergency at the time. So I'm not going to say it was all, there was never any yelling or fighting or arguing, but I think overall it was really collegial and the states in the end, I think every state but Oklahoma signed on and that is a huge accomplishment.

Sean Nguyen: ...[Were there] any other groups or individuals outside of the scope of government, outside of the scope of local or federal agencies that your office worked with in these settlements?

Jeff Loeser: ...[T]he legal aids, definitely. I talked to legal aids a lot, and I think Susan [Choe] and some of the other attorneys involved [did too]. They very much on the ground saw what was happening. [They] were able to provide case studies or examples, as well as just housing counselors and people who are talking daily. Still within government we – at the AGs office, there's also a group of non-attorneys who work out consumer complaints and just talking to them, who were all heroic people during all of this, about what they're seeing. ...[W]e would also occasionally talk to other industry players who weren't actually targets of the investigation but had useful information like the noteholders of the loans. That's mainly who I can think of when I think of this, but occasionally like economists, and they're people who have knowledge of the general mortgage market.

Sean Nguyen: And how did these groups communicate their concerns with you all following 2008?

Jeff Loeser: [W]e always try to be very open. Like people just email us, and I think we also like would reach out to them. Yeah, people either just email us or call us and say, hey, this is what's going on. We're interested. Or if we had an area that we wanted to know more about, ... like how MERS [Mortgage Electronic Registrations Systems] works or something, we would just call people. I think the good thing about working for an AG's office is people usually want to talk to us and particularly when something is that high-profile and that important. It was never a problem to get information about what was going on.

Sean Nguyen: ...[We]re there any other problems besides what we've spoken about, about residential mortgage that you and your colleagues at the Attorney General's office worried about? If so, what sort of policy adjustments besides litigation and enforcement did [you] pursue?

Jeff Loeser: So the biggest one that immediately occurs to me for Ohio is as I mentioned several times that you had lots of abandoned homes. And it's something that spills over into the neighborhoods, even those who didn't have the loans that were in foreclosure. Your property value drops, it just looks terrible, it attracts crime. So that's one where we put a lot of focus into – on – not really me personally, but there's a lot of legislative effort to allow speedier foreclosures if something was vacant. And then once we did reach the settlement, a lot of the money Ohio got we used towards physically helping county land banks get rid of or demolish bad broken foreclosed homes. And then either rehab those homes or with the vacant lot build new homes and sell them back to people. So that was a big one. Other problems. None really that I can think of. ...[T]he real highlight is that this wasn't something abstract. That you had thousands and probably tens of thousands of Ohioans losing their home or being in the constant anxiety of, how do I make my payments? What happens if I have to lose my home?

And so our office – it wasn't just litigation like from the AG's office. We had, I mentioned we had consumer complaint specialists who talk to people. A lot of consumer education going out to groups in communities saying like, here's what you need to know about. If you get into foreclosure, please call your servicer immediately. Don't skip your payments. Don't ignore the problem. And that was true with all of Ohio government. So I mentioned Save the Dream, which was run out of the Ohio Housing Finance Agency. But they ran a giant call center to connect people with housing counselors. The Ohio Supreme Court worked to train *pro bono* attorneys to be foreclosure attorneys. Later on, the federal government had a program, I believe it was called the Hardest Hit program where they provided money to states that were hit particularly hard, including Ohio. And so, the Ohio Housing Finance Agency again through Save the Dream helped do some of their own [home] loan modifications for borrowers who [wouldn’t] otherwise qualify for [them], giving them additional money and support. So, yeah, there was a lot Ohio was focused on in addition to just the litigation with cases.

Sean Nguyen: ...[Y]ou mentioned how you've been a consumer protection attorney for over 10 years now. Based [on] your experience in that field, why has consumer protection been so interesting to you and why have you stuck with it the past – for over 10 years?

Jeff Loeser: So actually I do have to say like about a year ago I moved out of consumer protection. So I work for the state solicitor's office now, primarily working on formal Attorney General opinions, also doing some appellate work. But the reason I enjoyed it for so long was you really – it's a really interesting mix of helping people and helping them financially and economically. So I was an economics major. I've always been a little interested in finance and [there's] always as a public servant, a public lawyer, you're really there to help people.

And this … also holds true for all the other consumer protection work that I did, whether it's somebody who bought a used car and is having problems with the used car or had a contractor come to their house and something went wrong or the contractor stiffed them or things with other larger companies. If it's credit report problems or other problems with banks, credit cards, whatever it may be. I've always really enjoyed it. And particularly I like the mix of like the math and the finance with the legal aspect of it.

Sean Nguyen: ... Could you talk a little bit about the internal strategy within the Ohio Attorney General's office sort of following 2008? Was that set from top down from the Attorney General, or was it a collaborative approach? How did Ohio's Attorney General's office determine its priorities and what issues to pursue?

Jeff Loeser: So, I think both top down and bottom up is probably how I'd describe it. So we, from a very like individual hearing from Ohioans level, we, gosh, I think we get [20,000 to 25,000] consumer complaints a year plus or minus 10,000 and over everything, whether it's mortgages and car dealers or whatever. And they're always – they're stories. And I review them. The non-attorneys review them for that matter. I'm going to guess that the higher ups in the office, the AG and top administration will look at these complaints too, and see, here's what Ohioans are dealing with. Here's the problem. So you get [to] 2006, 2007, you get lots of subprime complaints. Right after that you get tons of foreclosure complaints. So we would review these complaints and help make policy recommendations. Recommendations on – these are areas that there might be illegalities going on we should investigate. At the same time, every Attorney General that I've worked under, and I've worked under five or six now, I feel, clearly have their own policies and preferences. And they draw those from wherever they might, probably the news, what they see in the news, what they hear going out talking to people. And it's usually a pretty collaborative process where if there's a problem we've identified,… that needs to be remedied. We work on it and do it.

Sean Nguyen: … And now moving on to the concluding questions, Mr. Loeser. 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?

Jeff Loeser: So I think … there's several things. And the original subprime defaults I really think were based on loans that in many cases should not have been written that I mentioned like the Pay-Option ARMs where you had a teaser rate. So you start off …, first you pay a tiny interest rate. It jumps. And then you're even given the option of … paying your interest only. And certainly like a fully educated consumer might be able to realize that. But I do think early on there was a lot of predatory lending door-to-door [selling] even to consumers that ... [didn't understand] what they were doing. And many times were even fraudulently gotten into loans they shouldn't have been. But that didn't really cause the financial crisis. I think that was also a mix of the housing bubble, that – the idea was that once these loans went bad, you would be able to refinance your house. But if your house loses value, you can't. And then once the actual economy collapsed, all of the sudden, you just have... people with ... 30-year fixed loans who just can't afford the interest rates. And all of the sudden, if your housing value is also dropped, you can't refinance your house or sell it. And so you have all these foreclosures. So that – I would say that's my opinion of it.

Sean Nguyen: Looking back on the crisis now over a decade later, what do you see as its most important lessons for mortgage originators and state level policy makers?

Jeff Loeser: I think looking back, write normal loans. I don't know like if there's really a reason that any of these things were needed. Like a fixed rate loan is probably fine. Or if you want a variable interest rate loan, just make it a normal variable interest rate loan. I never – I'm not going to say like something should be illegal – or legal or illegal – but I just don't really understand what the real accounting thought was that if I'm a bank and I write someone with a loan that's going to jump in interest three months after you start paying it, like why you think – ever thought that was going to be paid? For policymakers, I think a lot of changes have been made. Like even Ohio, very early on in late 2006, we passed in Ohio what we called Senate Bill 185, which was a kind of predatory lending, anti-predatory lending bill that very early on required mortgage brokers and originators to calculate an ability to repay. Calculate – make sure that you weren't writing a loan just on the value of the house, but on reasonable probability of repayment. And honestly, I think a lot of those problems have been corrected. I don't know if there's something to recommend to policymakers that still has to be done, but I do think those were good. Good changes coming back then. A lot of it's been adopted by the federal government as well as the CFPB [Consumer Financial Protection Bureau] and even the OCC [Office of the Comptroller of the Currency].

Sean Nguyen: Well, thank you so much for your time today, Mr. Loeser.

Jeff Loeser: Yeah, no problem. Thank you guys for having me. I really appreciate it.

[END OF SESSION]