AMERICAN PREDATORY LENDING AND THE GLOBAL FINANCIAL CRISIS

ORAL HISTORY PROJECT

Interview with

Karen Brown

Bass Connections

Duke University

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PREFACE

The following Oral History is the result of a recorded interview with Karen Brown conducted by Patrick Rochelle on March 25th, 2021. 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: Patrick Rochelle
Interviewee: Karen Brown
Interviewer: Patrick Rochelle

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Patrick Rochelle: I'm Patrick Rochelle, a graduate student at Duke University Sanford School of Public Policy and a member of the Bass Connections American Predatory Lending and the Global Financial Crisis team. It's Thursday, March 25th, 2021. I'm speaking with Karen Brown, Director and Managing Attorney of the Home Defense Program with the Atlanta Legal Aid Society for an oral history interview. Ms. Brown joins me via Zoom. Thank you for joining me today.

Karen Brown: Thank you, Patrick, so much for having me. I am really honored to be here, and I'm grateful to participate in this oral history of predatory lending.

Patrick Rochelle: Well, we really appreciate your time. I'd like to start by establishing a bit about your background. You graduated from Smith College in 1985 and received your J.D. from the University of Georgia School of Law in 1990. First off, did I get that right? And are you originally from Georgia?

Karen Brown: You got it right. And I am originally from Georgia. I grew up in South Georgia in Waycross, which is a relatively small town in the Southeast corner of Georgia. So that's where I was born and raised and my parents continued to live there until they both had passed on. But I still have ties to Waycross.

Patrick Rochelle: ... Just for my own background, how far is that from Atlanta?

Karen Brown: It's about a five hour, five and a half hour drive from Atlanta. So yeah, it's in the deep Southern corner of Georgia. And sometimes it feels like not just a place that is a far distance, but [also] sometimes seems like it's driving back to 50 years ago. But that's the way a lot of places in the South are.

Patrick Rochelle: …What led you to pursue a degree in law and become a lawyer?

Karen Brown: So, there's no one in my family that's a lawyer, so it was a little out of the ordinary. My parents are both in the medical field, my dad was a doctor [and] my mom was a nurse. I have three brothers and three sisters and all of them have gone into the medical or scientific fields. They are engineers, nurse, pharmacist, and for whatever reason, that was not my calling. I was a little bit torn about what to do with my life and career in my young age and ended up working at a law firm during college for a couple of summers. It was just a strange way for that to happen. But when I graduated from college at Smith, I moved back South because the South is in my blood. Georgia's in my blood. My people are here. My roots are here. I didn't know what I wanted to do. I thought, well, maybe I'll teach. I interviewed for a teaching position. That didn't work out too well. And I thought, well, what else can I do? I thought, well, I've worked at a law firm, maybe I could work as a paralegal. So I ended up working at a law firm in Atlanta for a couple of years.

And frankly, those were some formative years for me. I worked at a firm that represented employers, corporations in labor disputes and employment discrimination cases. And one of the -- the team that I worked on handled -- defended some class action cases against their clients brought by a legal services organization in Florida. I didn't have really any experience with legal services at that time. And, during that experience, I thought I really wanted to be on the other side. I didn't want to be defending the lawsuit. I wanted to be on the other side. So I learned that there are organizations like Atlanta Legal Aid. And when I went to law school, I still wasn't sure what I would do. But when I was at law school, I thankfully found some clinical programs I could be involved in and get some experience. So I worked at the Prisoner Legal Counseling Project at the University of Georgia, where we represented people who are already incarcerated in the Georgia prison system on a variety of legal matters. Sometimes doing wills. Sometimes helping with habeas petitions. Sometimes just helping get pending criminal charges in a different county resolved.

I also worked for Athens Legal Aid, and that was an organization that represented people who were charged with crimes. [T]hose were wonderful experiences for me. Then, after my second year of law school, I had the opportunity to work at Atlanta Legal Aid. And I am so grateful that really the light bulb came on and just the stars aligned. And I felt -- this is my calling. So I wanted to work for people who are low-income and marginalized, and I felt a strong calling to work at Atlanta Legal Aid. So I am very grateful that I was able to get a position with Atlanta Legal Aid right after law school ... in 1990. And I have been there ever since minus a one-year hiatus when I worked in Washington in 1998 to '99. I got a … John Heinz Senate fellowship -- where I worked for US Senator Chris Dodd and the Senate Banking Committee. So I was working on my issues: mortgage and foreclosure and predatory lending issues at that time. That's been my career and thankfully I'm still here and still plugging away, still working hard and not burned out. I do feel that from time to time, but I feel very grateful to still have this job and still be passionate about my work.

Patrick Rochelle: ... So it's 1990 and [you] just started your career at Atlanta Legal Aid. You're working in -- I believe you started in the Senior Citizens Law Project, is that right?

Karen Brown: Yes, that's right.

Patrick Rochelle: And so, can you just walk me through what sort of cases were you dealing with there from the get-go?

Karen Brown: With the Senior Citizens Law Project, we represent seniors in the metro Atlanta area who are age 60 and older on a variety of legal matters. And so those included, handling wills, handling some probate cases, helping seniors who were in nursing homes who were being threatened with improper discharge from the nursing home, helping seniors who were in nursing homes access nursing home Medicaid benefits to help pay for the nursing home care that they needed. Helping clients who needed access to income, such as social security and SSI benefits, or helping them be prevented from being terminated from those benefits that they desperately needed to pay their bills in their retirement years. We also, of course, had seniors who were homeowners and … coming to us with horrible stories involving home improvement scams and high-cost mortgage loans. So I handled a whole range of cases for seniors, and I was really drawn to representing homeowners. And our -- the Director of the Senior Citizens Law Project, Steve Krumm, was my boss, and he was wonderful in that he allowed us to handle all different kinds of cases, but [also] start to specialize in an area that we were really interested in, and for me, those were the mortgage cases.

Patrick Rochelle: You mentioned the loans that seniors were bringing to you all. ... How would you describe some of the terms of those loans?

Karen Brown: The terms were horrible. Those were predatory loans. They were extremely high-cost loans. So we saw interest rates -- I think the lowest we tended to see was about 22% interest. We saw them going up to 36% interest. It was outrageous. ... I don't remember what the market rates were at that time, but [they were] substantially lower, … between six and eight percent, something like that. It was outrageous. And then the loans also had very high origination fees and points and other junk fees. It was very clear that the loans were made and were secured by seniors' homes that had plenty of equity. And the loan to value -- that is the balance of the loan versus the value of the home -- the balances were relatively low compared to the value of the home. So there was plenty of equity in the home. So really there was no justification, no reasonable justification for these outrageously high interest rates and points and fees when the loans were fully secured by the home. This is what we were seeing day in and day out.

Patrick Rochelle: ... As a legal aid attorney, what resources did you have? What tools did you have really to help your clients at that point?

Karen Brown: The main law that we were looking at and we were focusing on was the federal Truth in Lending Act. The federal Truth in Lending Act was enacted in the 1970s. ... The name of the statute is -- I remember Kathleen Keest saying this - she was a wonderful attorney who was a Truth in Lending guru at the National Consumer Law Center-- She said the federal Truth in Lending Act is really a misnomer. It's not about truth in lending. It is a disclosure statute and it's the federal law that requires that certain terms of the loan be disclosed before a borrower signs on the dotted line. Some of the terms being the annual percentage rate [APR], which is a kind of interest rate, the amount being financed, the finance charge, the total of payments, and then what the payments are going to be and for how long, and how often.

But there were so many exceptions in that statute to things like what should be included in the finance charge versus amount financed. A bunch of these origination fees ... and points were included in the finance charge, but a lot of the other junk fees weren't. So when homeowners, in theory, shop for a mortgage loan, they want to compare interest rates. [That] is one of the ways that they can, in theory, shop for a mortgage loan, or at least when they're at the closing table or close to it, they have an idea about what the interest rate's going to be. But the actual interest rate, which is reflected in the annual percentage rate as opposed to the simple interest rate that's on the note, it's going to be much higher. But not as high as it otherwise would be because of the -- because of the junk fees that have been padded into the loan. And these junk fees were really just used to gouge folks. There was no real reasonable bona fide justification for a lot of those fees.

So, we used the Truth in Lending Act. That was your question. And so then we had this law, that's not really about the Truth in Lending, but there were some things about it that helped. They required certain disclosures. They didn't apply to loans used when someone bought a home. They applied to refinances or second mortgages. But one of the powerful tools of the Truth in Lending Act is this remedy of rescission, of being able to rescind the loan and return the parties to where they were before –… they got the loan. And people have the right to rescind up to three years after the loan closing, if there have been certain material violations. And so the lenders in those days were very sloppy in following the law, and we were able to litigate against them and get good claims -- raise good claims for our clients and be able to rescind mortgage loans, which doesn't mean to cancel the loan and then the client has no legal obligation, but the way the rescission worked is that all the money -- first of all, all the fees are knocked off the balance of the loan and all the money that the client has been paying is knocked off the balance. Then, that remaining amount is what the client then owes. And we would most often work out a loan modification that would be affordable for the client to then be able to afford the loan going forward. And so that's what we would do. These mortgage loans were ridiculous; [they had] terrible terms. We were able to use the federal Truth in Lending Act to help give us leverage, [in] either litigation or non-litigation cases, to negotiate a loan modification that's going to be more affordable. We were able to help a lot of folks save their homes in that way.

Patrick Rochelle: ... It's my understanding that Atlanta Legal Aid brought litigation against Fleet Finance in the early nineties, which is just around when you were starting your career. Did you play a role in that litigation? And if not, what cases in that early mid-nineties period stand out in your mind?

Karen Brown: I played a big role in that litigation. That was my life for years, working on the cases against Fleet Finance and investigating the cases before we brought this one main case. So we-- I started in June of 1990 and we filed a class action lawsuit against Fleet Finance in November 1991. My client, the named plaintiff --we had two named plaintiffs and one of them was my client. I knew her from the time that she first called Legal Aid seeking legal help and worked with her through the litigation that lasted -- oh, at least three years. And then another year of ultimately settling. Now, I said that that was a class action case. Atlanta Legal Aid is an organization that receives funds from the Legal Services Corporation [LSC]. So we're LSC funded ... I think it was in '94 or so, Congress decided that legal services organizations should not bring class action cases.

This was one of the last class action cases Atlanta Legal Aid was allowed to bring. And so we weren't allowed to do that anymore, but ultimately we lost our motion for class certification. Our case was about our senior homeowner clients. Because we had many who had been targeted for these scam home repair schemes that were perpetrated by people who purported to be home improvement, contractors or home repair contractors. But just really used the sale of home repairs, a new roof to our senior clients, as a foot in the door as a way to get to them, to ultimately get them to sign up for a high-cost loan that would then, in theory, fund the repairs. Fund the scammy home improvement contractor. And what we found is that it was the same group of home improvement contractors.

They were using financing from the same group of lenders, who we called the seven dwarfs. -- after doing extensive research in the deed records, which required getting being in the courthouse and in the different counties and examining all of the deed records book by book by book in the indices because we didn't have that information online at that point-- Ninety-eight to 99% of those loans were immediately transferred to Fleet Finance the same day as the closing. This is what we were finding in our investigation. And this is what we were figuring out with the many, many clients that were coming to us with this scenario. So we had this scenario with common facts, common legal issues, the home repairs were not done, or they were shoddy, incomplete, definitely not up to code, all paid by the lender, which was one of these seven dwarfs -- companies -- [which] we [called] them. And immediately same day assignment to Fleet Finance.

And what we ultimately figured out is that these seven dwarfs, they were lenders on paper, but they weren't really making the loan. They weren't loaning the money. They were doing what we called table-funding the loan. Fleet Finance was providing the money…. So when the loan closed, any funds that came, came from Fleet Finance. So it took us a while to figure that out. And we kind of were speculating that that's what was going on based on what we were seeing with the clients coming to us. So we had common facts, common legal issues. And it seemed based on everything that we were seeing, that there was -- that the contractors were acting as agents for the seven dwarfs, front kind of people lending companies, and that they were all funneling things to Fleet Finance and Fleet Finance must have known.

In fact, we filed a class action lawsuit. Common facts. Common claims. We fought it in federal court and the judge issued a very short opinion saying we did not meet the requirements of Rule 23.[1] But nevertheless, we moved forward with [the case]. So we just started filing individual lawsuits on behalf of each of our clients and started getting into in-depth discovery. I realize I'm talking a lot, maybe talking too much about this, but this is what we were seeing. ... Of course, what's the next thing that happens in litigation? [It] is that the other side -- well, an important fact, we said that they were engaging in a racketeering scheme. We sued them not just for Truth in Lending and usury violations ... [but also] the state statute called the Retail Installment Sales Solicitation Act.

Well, we sued them for Georgia RICO and federal RICO [Racketeer Influenced and Corrupt Organizations Act]. Now those are criminal statutes that you bring against criminal organizations that are engaged in crimes like murder and forgery, identity theft, and drugs and all that. Well, this was against corporations. And what happens when corporations get sued for and have criminal charges. That's what these were -- wire fraud and ... mail fraud. Now these were the predicate acts under these RICO claims. ... They hired the best law firms and were defending this case. So, they immediately moved to dismiss that even if all the facts are right, this is not a racketeering scheme. So, we had oral arguments and, ultimately, we defeated their motion to dismiss. That's the short answer to the story, but we held up a visual, a graphic that basically showed the parties involved.

You have the home improvement contractor, the front lender -- lender in name only -- Fleet Finance financing it all, and everything is being funneled to Fleet. And actually another interesting thing is, we sued Chemical Bank. Why did we sue Chemical Bank? We found out that Fleet was securitizing these loans and Chemical Bank was the trustee for the securitization. Now it was the first time I'd ever heard about that. And it wasn't until many years later that I was able to understand it more. But most people don't think about securitization happening -- securitization of mortgages until the 2000s or the late 1990s. But this was happening even with Fleet Finance in the early 1990s. So we sued Chemical Bank. We didn't have any proof that Chemical Bank knew what was going on, but what the judge said at that hearing after we presented everything and they presented their argument, saying they're not criminals based on that visual graphic.

"Well, if that's not a racketeering scheme, I don't know what is." It was wonderful. Now there's a long story about the Fleet Finance cases because there was so much going on. It wasn't just us. So we didn't get class-certified. We filed our individual cases. But Bill Brennan, who is an important, critical person involved in these cases, was the Director of the Home Defense Program.

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[1] Rule 23 is in place to allow relief when the aggregate harm is great but the individual harm is minimal. Rule 23(a) requires four conditions to qualify for class treatment: (1) the class must be so numerous that the action of bringing all members together is impracticable, (2) there must be questions or law or fact common to the class, (3) the claims of the representative parties must be typical of the claims of the class, and (4) the representative parties will fairly and adequately protect the interests of the class. Rule 23(b): Once an action complies with all four conditions under Rule 23(a), a class action must also satisfy at least one of the three requirements of Rule 23(b).

I worked very closely with Bill. I worked closely with him for 20 years. He was my boss, my mentor, my colleague, my friend. He was -- he's the one who established the Home Defense Program at Atlanta Legal Aid. So we were working together and one of the things that he was doing, so some of us were working on the litigation and Bill in addition to everything else was also working with the news media.

So, stories were getting aired on ... TV news, the written news media, and it was just spreading like wildfire. Other legal services, lawyers around the country, started calling us. Private lawyers in Georgia and around the country were calling us. There was eventually a story that was aired on 60 Minutes. Morley Safer did the interview. So there was tremendous news coverage. The *Boston Globe* was covering this -- *the Atlanta Journal Constitution*, of course -- but the *Boston Globe* because Fleet Finance was the subsidiary of Fleet Bank, which was headquartered in New England. I can't remember if it was in Boston or Providence, but the *Boston Globe* was very interested in what was going on. So they were covering this. There was a ton of news stories and just as word spread and investigations continued and legal services organizations around the country.

They were also getting clients with the same kinds of horrible mortgage loans being made by Fleet Finance. They were engaging -- Fleet Finance was engaging in business in 26 States. And so we worked together with class action lawyers in Georgia who were also suing Fleet and who succeeded in their class certifications in their litigation. We worked with Jack Long in Augusta, Georgia. Jack filed a lawsuit against Fleet ... under the Georgia Fair -- excuse me -- the Georgia Fair Housing Act. I hope I'm getting this right. [The] Georgia Fair Housing Act, which models the Federal Fair Housing Act, says you can't discriminate based on all these protected classes, including race. And he ultimately settled his case for I think between $14 and $16 million. Governor Roy Barnes, who was not governor at that time, but who had been a state Senator, he had a private practice and he and Howard Rothbloom, private attorneys, also filed a class action lawsuit against Fleet Finance.

So, we worked together. They ultimately settled their case for $6 million, I believe. And then also the state attorney general [AG] of Georgia was very interested in what was going on and seeing all this in the news and knew it was just horrible. And by the way, it wasn't just the home improvement scam. I mean, they were making these ridiculous, terrible, high cost mortgages all over the state and not just in connection with these home improvement scams. So different legal claims were being brought and we worked with all of them. I was heavily involved in those cases and ultimately we were able to get good settlements for the Atlanta Legal Aid clients. Very good settlements for our clients. The other cases settled. The state attorney general settled in the largest state AG settlement at that time. And I believe that was in '93 --1993 -- if I'm not mistaken for $115 million.

Now, as you might expect, there was a lot of criticism of that settlement because most of that money did not go to the homeowners or the borrowers. I think like 160 -- $162 went to each homeowner or something like that, but also they were required to reduce interest rates and knock off closing costs - these high points and fees. So criticism was definitely appropriate but [the settlement] was quite impactful. Fleet Finance ultimately went out of business. And that was frankly a wonderful thing for our clients, for our client population.

I want to say something about Jack Long's case because race was a huge issue. And it was very clear that to me that they were targeting black homeowners. Now how do you prove that? That's incredibly hard to prove. You need a smoking gun ... But Jack Long brought that lawsuit, and we weren't involved in the lawsuit. We, of course, talked with him and we shared information and learned from what he was doing and he learned from what we were doing. But he made a couple of arguments. One is that, well, the population in Georgia is X and the racial breakdown is this. I don't remember the exact numbers, but let's just say that 20% of the population of ... homeowners were black in Georgia at that time based on whatever census data he could obtain. But he said, but 60% -- and like I said, I can't remember the exact numbers -- but 60% of Fleet mortgage borrowers were black. They were disproportionately impacted for sure. Now he also had to do extensive discovery. How do you show -- because all of these Fleet Finance and all these other lenders that were engaging in these high-cost, high points and fees, predatory and abusive mortgage loans, they would just say, we don't care who our borrowers are. We're equal opportunity gougers, we're not racist, you know? But what he did was that he went in and got extensive discovery. He was able to copy like 7,000 files. ... I can't remember how many, I think there were maybe 18,000 homeowners with Fleet mortgages in Georgia at that time. He was able to amass 7,000 files and hired I think these military folks who were very analytical and were able to review all of the data and put it into whatever computers they had. And he was able to show you know, the interest rates and the points and fees for black homeowners was this amount. Interest rates and points and fees for white homeowners who got these mortgages was less, slightly less, but there was a difference. There was definitely a difference. So I think it's wonderful. And he brought a similar case against another major company at that time that was engaging in these horrible predatory loans. I think it was United Companies Lending Corporation, but yeah, I was involved in the cases against Fleet Finance. There was so much more I can tell you about that time because there was -- to some extent, a movement came out of it.

Patrick Rochelle: Were there specific neighborhoods in and around Atlanta that you found were particularly impacted by Fleet Finance or were being targeted that you recall?

Karen Brown: Absolutely. And I'm sure you can guess they were the majority black neighborhoods. There were the neighborhoods that most of the homeowners or the vast majority of the homeowners were black homeowners. And so where in Atlanta? During this time period, it was the West side of Atlanta, the Southeast, Southwest side of Atlanta, and South DeKalb. They were almost all black. Of course, those neighborhoods are different now. It's been 30 years, but these are the neighborhoods that were targeted. There's so much, I want to say about this because just on the piece of the targeting, this is what we see and do we really know it? Well, we don't have people from Fleet Finance or other lenders coming to tell us this is what they were doing.

Well, we actually eventually heard that from some folks, from one of those small home improvement companies. And the way we heard it, this was after the Fleet litigation, but I mentioned that kind of a movement was started. And there wasn't this groundswell, like there has been in the past year to 2020, but ... there were deep concerns by people who cared about ... what was going on, and this is wrong. And so an organization was formed in Atlanta called ABLE, Atlantans Building Leadership through Empowerment, and the local advocate who headed up ABLE, I think her name was Gwen Robinson, if I'm not mistaken. This organization was started by I think it was someone in Chicago, and I can't remember exactly the names, I'm sorry. But they were starting different organizations like this in different Metro areas, where they were seeing different issues including education issues, crime, and predatory lending.

And what happened, I mean, we weren't involved in this. This was some other people who were involved, but we were invited to participate and attend their meetings and share what information we could, and we did. But it was an organization that drew people from various religious organizations, churches, synagogues, Catholic, Presbyterian, Episcopalian, white, black. And they would have meetings and they would talk about these problems and Bill Brennan and I would go because they would ask us to go and want to hear about [what we were working on]. We would tell them what was going on. And they would do some research. This was, again, still before we had the deed records online. They would go into the deed records and they would ask us, well, what companies are engaging in these bad practices? [And we would say:] here are some of the companies, and they would go research them.

Then they would go find out who were the homeowners who had these mortgages, according to the deed records. Then they would go to the criss-cross phone directories and figure out what's their phone number. Then they would call them and kind of interview them about what their experience was. And they were finding similar stories about people getting into these horrible loans who had been lied to in the origination of the loan. And then eventually what happened is that this group said, well, we want to bring the companies here so we can talk to them about what they're doing and see if they'll change their ways. And we were surprised that they got a response, but they did get a response. And one of the guys, I think it was from one of the scamming home improvement companies, did come. And he said, yes, we do target these neighborhoods. He was just honest about it. We drive around and we look and find if a homeowner is, we can tell they need some roof work done because the house is in poor condition. ... we look at the deed records [and] figure out who they are. We go talk to them and yeah, that's how we get our business. But yeah, these are the neighborhoods we look at. He didn't say I'm engaging in racist practices or discriminatory practices, but ultimately what did he do? I think he made a small financial donation to make himself feel less guilty. He made a small financial donation to the ABLE group.

Another company said, well, we've done surveys of our borrowers and all the survey results that we get say they're happy with the loans. And then they even said that at a, there was a Federal Reserve hearing locally and someone thought to ask, “well, did you offer like financial incentive for those surveys?” Well, yes, we did. We gave them $100 if they filled out the survey.

Patrick Rochelle: Did Atlanta Legal Aid play a role at all in advocating for what became the Home Ownership and Equity Protection Act in '94?

Karen Brown: Yes. So that's -- one of our clients, Mr. Hogan was one of the witnesses who testified, before the House Financial Services Committee, and I believe it was in 1994. And so, yes, because the news media was shining the light and there was so much going on, so much activity, so much outrage about what was going on, it got the attention of Congress and ultimately led to the passage of ... HOEPA [Home Ownership and Equity Protection Act], which was a wonderful law. And at the same time, I know that you wanted to ask about what was going on in Georgia. So yes, that happened. What was going on in Georgia, the Georgia legislature, which has not really traditionally been interested in protecting consumers or protecting homeowners or stopping predatory lending practices.

There was a state Senator who was concerned about what he was seeing and that state Senator later became a US Congressman. His name is David Scott. David Scott, when he was a state Senator with the Georgia legislature, offered I think it was state bill 50 or 51, something like that. But it proposed a floating cap on interest rates for mortgages, which would have been wonderful, but of course it was defeated. But there was so much uproar about it. If I'm not mistaken, if my memory is correct, then state Senator Roy Barnes offered an alternative, and that was a licensing statute. Well, mortgage lenders and mortgage brokers should be licensed and there should be these rules attached to them and requirements for getting licensed. And so that did pass and that has actually been helpful over time. None of these things ever stopped the problem of predatory lending practices, but this is what Georgia did, and it was helpful to some extent. So, that passed.

Patrick Rochelle: What year was that?

Karen Brown: I think that that was in 1993.

Patrick Rochelle: One other case I was hoping we could talk about was the Associates First Capital and the connection with Ford Motor Company. Do you have any, did you have any experience working on that case as well?

Karen Brown: Oh, yes. So, one of these things we were seeing with these -- small lenders was table funding -- getting table funded loans from other larger entities. Fleet Bank owned Fleet Finance. Fleet Finance was table funding all these loans for all these mortgage brokers, essentially mortgage brokers that were named lenders. But we were seeing this with other, in other areas too because other parts of corporate America were seeing the huge profits that they were making on these loans. Chrysler first had a finance company subsidiary that was engaging in high-cost mortgage loans. And Ford had subsidiaries. Ford Consumer Finance Company. And I -- I'm not positive about that, but about the Associates. I think that they bought out Associates, or they also had Associates as part of a subsidiary.

So yes, we had cases involving Ford Consumer Finance Company that were also high-cost mortgage loans. And the same with Associates and Ford Motor Company was the holder of these entities, owned these entities. And ultimately when there was bad press about them, Ford Motor Company spun them off. The bad press -- we might've been involved in arranging that because Bill Brennan was so great in working with the news media. I can't remember if it was Primetime Live or 2020, one of those night-time in-depth news programs came down and did a story about Ford Motor Company and Ford Consumer Finance and Associates and these horrible loans. And we were seeing a lot of mortgage broker kickbacks at that time and litigating those cases. Immediately after that was aired, the very next day, Bill and I were getting phone calls from the Department of Justice and also the Federal Trade Commission and they wanted to meet and they came down and met with us within the next week or so.

[They] just got all the information they could from us about what was going on and … the Federal Trade Commission ultimately continued its investigation and went after Associates, and I believe settled that case with Associates [for] something like $250 million. That was also unprecedented for the Federal Trade Commission at that time. And that might've been the ... late '90s or the early 2000s.

Patrick Rochelle: What kind of information were you all sharing with the FTC?

Karen Brown: What kind of loans our clients were getting from these entities. And mortgage broker kickbacks were a huge thing. There were some and -- private lawyers were getting into this too. They were paying attention to what was going on and coming up with their own legal theories about ways they could go after the Associates. And one of those was -- again, it was Roy Barnes and Howard Rothbloom brought a class action case.

I think it was actually several class action cases, but one of the main issues that they focused on was something we call single premium financed credit insurance. There were these credit insurance policies that in theory would pay the mortgage if the person became unemployed or became disabled or died during the term of the mortgage. But this is the way they were sold and they were all sold at the closing. And so, people think, “Oh, well, that's great.” If something happens to me, the mortgage will be paid. But when you look at the fine detail of the policies, the policies were really worthless. They never paid. I have one case where a woman's husband died and she thought, "Well, we had Associates and they paid, [we] had this insurance credit life insurance. It's paid." Well, five years later, the mortgage company says, “Well, you got to ... you owe the monthly payment.”

She said, "Well, we had insurance." And they said, “Well, the insurance paid the payments for the five years.” It didn't pay off the loan. The amount that the credit insurance paid was actually the loan amount, but instead of paying off the loan, they just use the money to pay the mortgage for the next five years. And then she owes this, the rest of the payments after that, which-- is not the way that was sold, not -- or represented at all. They were terrible policies. They were extremely expensive. They were another way to pack the loan with fees, to strip the equity out of a home. These lenders and mortgage brokers who were involved in these transactions are always going to make more money ... if the loan amount is higher. The loan amount is higher, if you pad things into it. These junk fees, the single premium financed credit insurance. So, Roy Barnes and Howard Rothbloom, and that team, John Bevis, they did a great job in litigating these cases and getting good settlements for those clients and shining a light on the those horrible credit policies. And of course, the insurance companies were also subsidiaries of these large companies. They were just all getting kickbacks and arranging it just as a way to totally gouge people and increase their profits.

Patrick Rochelle: Before we move on to a little bit later in your career, I'm curious, at a very young age, as far as lawyers go, you were dealing [with] very high-profile cases. Was that intimidating?

Karen Brown: Sure it was. We were dealing with these big law firms on the other side, but I was working with a great team of people and our Litigation Director was Steve Caley. We worked very closely together on these cases. I had him who had all this experience working in litigation and neither of us had any experience in RICO. None. So, what I had to do, I had to roll up my sleeves, learn RICO, go to some trainings, study it. And I'm proud. We defeated that -- Fleet Finance's motion to dismiss our RICO claims. They were saying, “We're not criminals.” Of course, surviving the motion to dismiss doesn't mean that they -- the judge says they're criminals, but we defeated them.

If everything that we said in our complaint was true. Yeah. They're criminals. So yeah, it was intimidating and, yeah, I was a young green lawyer, but you just do it, you go through it, and you work with your team of people and it was me and Steve Caley -- but there were some others too. And the other thing that helps me day-to-day is the outrage at what I'm seeing. I know how wrong this is, so I'm going to dig in and I'm going to fight. And yeah, it's kind of intimidating to be on the other side of these big law firms that have a lot of money, ton of resources, ton of attorneys, a lot of experience. But you just do it.

And I'm grateful I had the opportunity. And it's sad that I had to do it. It's sad that these were the facts that we were dealt with, but we just fight. We have to fight for our clients.

Patrick Rochelle: One other question I had too was Georgia is a non-judicial foreclosure state. What did that actually mean for your clients facing foreclosure in the late '90s, early 2000s?

Karen Brown: So, yeah, we're a non-judicial foreclosure state, which means that the mortgage company doesn't have to get permission from a court to foreclose. They don't have to ask anyone to foreclose in Georgia. All they have to do is send a letter and put a legal ad in the legal newspaper. And that's it. It's pretty terrifying for homeowners who have fallen behind on their mortgage -- fallen behind on a predatory mortgage with terrible terms that ...were designed to fail, were designed either to lead to huge profits for the lender or the assignee or to lead them to foreclosure, to lose the home and all the equity out of it. It's terrifying for our clients. What that means for us as lawyers is clients are going come to us and there's not going to be a lot of time.

One thing I should say about Georgia foreclosure law, about that notice, that letter they have to send. Until 2008, that letter had to be sent 15 days before the scheduled foreclosure sale. In Georgia, foreclosures happen on the first Tuesday of every month on the courthouse steps. Before 2008, when we finally helped with other advocates get that law changed, they only got 15 days notice. In 2008, and again, this was during the mortgage and foreclosure crisis at that time, it was in response to that. The Georgia legislature doubled the time to 30 days. Is that satisfactory? No, but that was an improvement. But it's still not great. So, as lawyers we think about, well, what can we do? And as Legal Aid lawyers, we have to think about how can we help the most people with the least resources and the small staff.

So, we always would try to see if we can just pick up the phone and call the law firm handling the foreclosure sale, or -- and if they didn't have authority to stop the foreclosure sale call -- with their permission -- call the finance company or the big bank. Over time, based on the work that we had done, especially in the Fleet Finance cases and the Associates, frankly, we developed a reputation that people -- these big finance companies decided they wanted to work with us and they came to us and said, "Listen, before you file a lawsuit, why don't you just give us a call? We'll work something out." And there was somewhat of a quandary there because on the one hand you want to be shining the light in the courts and in the news media about some of these practices are continuing and now it's new companies.

And they have fancy TV commercials, but wait a minute, they're engaging in all these terrible practices. But on the other hand, we're legal services, we have tons of people coming to us for help. We can't help everyone. ... so if we can pick up the phone or write a demand letter, and we were able to stop foreclosures that way, [then] we were able to get cases resolved in that way. We saved a lot of homes that way. So, it's a bit of a quandary to be in, but we chose that because we wanted to save as many homes as we could. We continued working with the news media, to the extent we could.

I remember one time. This is a Howard Rothbloom story. He was representing someone who was about to be foreclosed on and was being interviewed by one of the local news stations. And he got a call from, I can't remember which company it was, but the lawyer for the company. And [the lawyer] said, "Listen, I know that your guy's about to be interviewed again, it might be on the news again, but if you'll just not do that, we'll stop the foreclosure, cancel the mortgage" or whatever they said. And Howard said, "No. He's going to be interviewed. And I think they're going to air it. And we're not going to settle with you just because you want us to be quiet. We're not going to do that." Companies came to us and wanted to work things out, so we just tried to help as many people as we could. But things still blew up. Things still blew up. We still had a predatory lending crisis.

Karen Brown: When I think about that time period, we were still talking about and complaining about the terrible problems because one, the interest rates were coming down a little bit for those, the pre HOEPA days -- 22 to 36% interest rates and super high points and fees because HOEPA wasn't enacted and, HOEPA didn't prohibit those kinds of loans that said, if you engage in that kind of high cost lending, then certain -- you can't have certain abusive terms like balloons or prepayment penalties, or there's certain requirements or restrictions about those kinds of loans. So what the lending industry did was they started making loans that … fell just under the cap set by HOEPA…. And they continued engaging in their different abusive practices; they continued to gouge people in different ways.

And we continued to complain about them. I'm talking about "we", I'm talking about Bill Brennan and I. We were a team working on these cases. I had shifted from the Senior Citizens Law Project to the Home Defense Program. So, we continued to represent seniors, but also, we were representing people of all ages. But our clients were seniors or people living with disabilities living on limited retirement or disability income, or struggling with low wages trying to save their homes. And so, we were taking those cases, but also trying to do advocacy in a multi-faceted way to try to address these problems because we knew we couldn't just do it ourselves with a couple lawsuits here and there, or settling cases without litigation. That's not going to stop the practice.

So, we were invited to testify in 1998 before the United States Senate Special Committee on Aging. I believe Charles Grassley was the chair. And if I'm not mistaken Susan Collins was on that committee as well. I can't remember the ranking member. But Bill and I went and we prepared the written testimony and he did the oral testimony and told them what we're seeing and the terrible abuses that we were seeing. There was a guy that they found. And this is based on that news story I was telling you about. A guy who had worked for one of the Ford or Associates type companies or an affiliated kind of company who testified at the hearing. He might've testified to this on air that every office, every one of these loan offices had a designated forger.

This was just standard practice. And so thankfully Congress, the US Senate was very concerned about that. And so, Bill testified and among other things he was saying, talking about these large companies. And at that point it was also large banks that were getting into predatory lending, and they were getting into this not at that time directly, but indirectly. They were engaging through their finance company subsidiary. So, Fleet Bank had Fleet Finance. Fleet Finance went out of business in the mid or early '90s after all of the work that we had done. But Nation's Bank owned Nation's Credit. There were others as well that I can't recall right now. But the banks were getting into it ... or the banks would make capital business loans to the predatory lenders.

And then the banks were also buying up the loans through these securitizations ... of mortgages. So, they were all engaging in it. And one of the messages that Bill had was, “This is going on and on and on and these larger corporations and banks are getting into this. And the house of cards is going to fall at some point.” He said that. ... I mean, we knew because it was just getting -- The neighborhoods that I talked about West Atlanta, Southwest Atlanta, Southeast Atlanta, South Atlanta, South DeKalb. The neighborhoods were getting saturated with all of these predatory loans. There's a saturation point beyond which that's not going [to] be able to be sustained. So in 1998, Bill testified and we submitted written testimony about horrible things [that] were going on.

We had amassed what we call the double dirty dozen, the list of all the abusive practices that these various entities were engaging in -- high cost, high points and fees, mortgage broker kickbacks, home improvement scams, single premium financed credit insurance, just all kinds of things. Balloons, high pre-payment penalties. We had this whole long list. It's important to look at all of these things they are engaging in because all of this needs to be prohibited. You can't just choose just a couple of these and say, “well, some of these are bad and the rest oh, [never mind].” Because just like the HOEPA statute, if you set a tier, a limit on an interest rate above which there are all these prohibited things that you can't do -- well, they're just going to skate under that limit. If you stop some abusive practices, they're just going to do others.

So anyway, we did that. And then in 2000, [Bill Brennan] testified before the U.S. House Financial Services Committee. At that point, Fannie Mae [Federal National Mortgage Association] and Freddie Mac [Federal Home Loan Mortgage Corporation] were getting involved and just the same message. The banks have gotten into it. The numbers of loans, predatory loans, is just skyrocketing. And if Fannie Mae and Freddie Mac get into it, which they did, we couldn't stop them. But we warned Congress. I mean, we're not economists. ... We didn't foresee the foreclosure crisis. But in a way it's kind of like inevitable that that was going to happen based on everything that had been happening. Now I haven't talked about pre-1990 because I was really, I'm really focused on like what happened during my career, what I saw, what I worked on, what I saw day in and day out.

One of the things I wanted to tell you about, because in the late '90s and the early 2000s, we certainly were seeing predatory lending practices. But one of the new kind of things we saw that wasn't as blatant as it had been before, was this thing called lending without regard to repayment ability. And clients were coming to us and they couldn't afford their mortgages. And we… we had a practice whenever a client comes in and we agree we're going to investigate their case. We send a letter to the lender. “Please send us the loan file. Love, Karen Brown.” They send us the loan file. They don't love Karen Brown. That's just what I say. But we would get those and sometimes I would get those from opposing counsel because we would litigate against them and -- [they would say,] Don't file your next lawsuit, just call me, we'll give you whatever you want, and we'll work it out.

But what we saw over those years, [was that] our client [had] one set of papers, and then we would get a different set of papers from the lender. But what we saw, even from the lender, people say, “well, what happened? What was going on with the underwriting? Why were people getting loans that they couldn't afford?” Well, of course, there's the aggressive push marketing that was going on, but the loan applications in the lender files came in certain categories. They were either blank, completely blank. I had some bank loan files. So banks also got involved [in] lending without regard to repayment ability, that didn't have loan applications. So there were no loan applications, or loan applications that were blank, or loan applications that had been filled out that showed the correct information, what the client's true income was, what the new mortgage payment was going to be.

And obviously on the face of it, this person couldn't afford it, but the lender made the loan anyway. Then of course, we had loan applications that had false information, but the loan application would be internally inconsistent. On the first page it says, well, this person is working at whatever place. And on page two, it said this person is on disability. And it would have a disability amount that under the Social Security rules, you can't get a disability amount of that much. It's not possible. Anyone on disability, Social Security disability, can't get an amount this high. There were obvious inconsistencies, and it was just paper to the lender. They're not interested, really. It became so clear. They weren't interested in making loans that people could afford. They wanted to make loans because that's how they made their money.

So horrible underwriting practices. I also had a case where my client said, "I need to borrow a small loan. I need to pay some bills." And she ended up with a mortgage broker who said, "Well, I need to have your Social Security award letters." So she gave them to the broker. The broker was working with a lender across the country, a federal savings bank. And the bank said to the broker, we found out later, "Well, we want you to send us the Social Security award letters, but when you send it to us, blackout the income. We don't want to know. We don't want to see the income." It's very -- it was very, very clear what they were doing. So, of course, we complained. Even up 2007 or so, there was a Federal Reserve Bank hearing in Atlanta. I remember so clearly talking about that story and some others. In any of these hearings, we don't just talk about kind of the big picture, but we always talk about our clients, our clients' specific cases, because these were real people. These are real homeowners, and these are real loan documents and horrible loan-terms that we're seeing and that we're dealing with. And invariably the people from the industry would testify also and say, "There are always some bad apples and it's just a very, very, very small percentage of the loans. There's no need to worry Federal Reserve Board about these things. It's very, very minor." Well, that wasn't true at all.

I feel like I'm just talking, talking, talking, but it's what I've lived. It's horrible. Even just to think back on all of that and all the work that we've done. And nevertheless, we -- the country went into a crisis.

Patrick Rochelle: How would you characterize the Georgia Fair Lending Act that passed in 2002?

Karen Brown: So that is something else that we were working on. The Georgia Fair Lending Act at that time when it was passed in April 2002, Governor Roy Barnes was the governor. State Senator Vincent Fort was pushing it through. It, at that time, was the strongest anti-predatory mortgage lending law in the country. We were very proud of that. It wasn't ideal. Bill and I were involved in long and tense negotiations with the industry about the language of that law. But it was still pretty powerful. Now I should say because we're legal services funded that we're not allowed, we weren't allowed and still aren't allowed to engage in lobbying or legislative activity without a written request from a legislator. And we always had a written request from a legislator in any of those kinds of situations.

In that case, it was Senator Fort who was spearheading the anti-predatory legislation. And anyway, so it was pretty good. It was structured very much like HOEPA in that for loans over a certain interest rate or points and fees, there were a whole bunch of abusive practices that were prohibited. There was kind of a medium category that were just below the high cost, but above prime [where] some other practices were prohibited, like loan flipping. And I think also single premium credit insurance. And then for other loans, there might've been some minor requirements for those. Minor prohibitions that would apply to those. But it was powerful in that it had wonderful remedies. There were strong remedies. There were actual damages and statutory damages of, I believe, two times the finance charge. And there was also a rescission provision as a remedy, which meant the loan could be unwound if there was a violation of the high-cost loan provisions. But there were also provisions that allow claims to be brought against an assignee. And that means that someone who's bought the paper later that they can also be found liable if the loan violates that Georgia Fair Lending Act. It wasn't as strong as we'd like. It was wonderful in many ways, but because it was wonderful from our perspective, [the] industry hated it.

Patrick Rochelle: What were they concerned about with it?

Karen Brown: They were definitely concerned about the assignee provisions. And of course, they were saying, this is horrible…. –[T]hey catastrophized the situation. A good marketing strategy for them. It's raining cats and dogs. There's not going to be any lending in Georgia. Fannie Mae and Freddie Mac are not going to make loans -- are not going to buy loans from Georgia anymore because of these provisions. Standard & Poor's and the other ratings agencies that rated securitized loan packages said, we're not going to rate loans [in] these packages anymore if they have Georgia loans. They really catastrophized things. Of course, there was already a catastrophe in that these horrible loans were being made and they just wanted to continue profiting off of these because all of those entities were profiting.

So, what happened is that Governor Barnes, who was then governor, was up for reelection in the fall of 2002, and he lost his reelection campaign. [There] were some other things going on as well. The teachers weren't happy with him; he had changed the Georgia flag. He had spearheaded the change of the Georgia flag and the anti-flaggers were not happy with him. So, he lost his reelection campaign, but I think a big part of it too was that the mortgage lending industry was not happy with him. Sonny Perdue became our new governor. And immediately when the Georgia General Assembly came back into session in ... January 2003, they immediately pounced on the Georgia Fair Lending Act. And ultimately, the law wasn't repealed. It wasn't taken off the books, but it was amended in such a way that it became toothless. I won't say completely toothless because many years later we've been able to use it in some litigation, but it no longer had the power that the 2002 version had. So, it was amended and substantially weakened, therefore predatory lending practices continued to happen. And I think if that law had stayed in place, the mortgage lending scene would've changed in Georgia. Mortgage lending would have continued to happen, but the predatory practices would have stopped or would have been scaled back.

Patrick Rochelle: We've heard a number of consumer advocates and bankruptcy attorneys that we've spoken to this year talk about the changes to the bankruptcy code in the mid-2000s. I'm curious if that had any impact on some of your clients ... at Atlanta Legal Aid with regard to: Did it make it more challenging to file for bankruptcy? How did that impact some of your clients if at all?

Karen Brown: Yeah, it did. And I should say I'm not a bankruptcy expert, so I relied on some of my colleagues to handle the bankruptcy cases, but that did have an impact. But it wasn't a -- it wasn't a huge impact. Bankruptcy is a critical tool for us when we're stopping a foreclosure because we had this non-judicial foreclosure process, the main way we have to stop it is by filing for bankruptcy. And we would generally take cases where the person was facing foreclosure and we needed to stop the foreclosure and put them into bankruptcy and go into a payment plan to pay off the mortgage arrears. But we would take cases where we had some kind of legal claim to raise, so we would raise it in the context of the bankruptcy. So, I think it slowed down the filings.

I know one of the things that the industry was bothered about were … what they call repeat filers. They filed bankruptcy a number of times to stop foreclosures. And sure that -- I'm sure that was a problem for them. We wouldn't take the repeat filer cases necessarily, depending on the facts, but people were having to file bankruptcy again and again because they were facing foreclosure again and again. Their mortgages were made without regard to their ability to pay. In those situations, we would file bankruptcy and raise legal claims in the context of the bankruptcy.

I guess another piece of -- this might have been after the foreclosure crisis -- is that when the bottom dropped out of the real estate market, real estate values plummeted. Our clients were in a legal position, those who had two mortgages, to be able to strip off the second mortgage in bankruptcy. And there were private lawyers who were helping clients in those situations because, of course, they could barely afford the first mortgage, but they certainly couldn't afford the second. And the home was upside down. They owed more on the first mortgage than ... the value of the home. So, they were able to strip off the second mortgage in Chapter 7 bankruptcy. So that was a tool that was helpful for a lot of folks, but eventually the law changed. The case law changed so that we couldn't do that anymore. We're not able to strip off a second mortgage on a Chapter 7, but that can potentially be done in a Chapter 13 bankruptcy.

Patrick Rochelle: You've also mentioned a few times limited resources that Atlanta Legal Aid has had, understandably. How did you decide which cases to take on? And where would you send folks when you couldn't, when you just didn't have the resources to help?

Karen Brown: So how we decide, we sit around and talk about the cases that are coming in. And we had to be realistic. For example, clients who have zero income, even if we had some wonderful legal claim to cancel their mortgage, unfortunately, someone with no income can't afford the home because you still have to pay taxes and property taxes and homeowners insurance. We had to be realistic about their finances, and we had to be realistic about legal claims. We look at the merits of the cases. We look at the merits, we look at the facts, we look at what legal hooks we have. We look at potential strategies. Thankfully, yes, for so many years, it was just me and Bill Brennan. We had maybe one other attorney at different times. We eventually hired a housing counselor who helped us with the analysis of our cases to have that financial focus. Bill and I can think about, well, here's what we think we could get under the law. But if we could get that, could our clients still afford the home -- [could] that client and his or her family still afford the home? Because that's the goal is to keep the home.

So that was wonderful having her. And with the crisis ... new funding became available. It's kind of strange to think about it that way, but new funding was available. With some new funding, we were able to hire more lawyers. With more lawyers, we were able to do more things. One of the things that happened with our litigation is that like for a long period of time -- and we would litigate some cases, but based on our relationships with lawyers who were handling foreclosure cases with all the banks and the finance companies and the different advocacy that we were engaging in -- we had developed relationships. And so, we could pick up the phone or send a demand letter with details and legal claims and all that. We were able to get a lot of cases resolved in that way, but when the foreclosure crisis hit, I will tell you, the banks dug in their heels. They did not want to settle anymore.

So, we had to get into litigation and thankfully we had some funding and we were able to hire some super smart lawyers, and we just litigated those cases. And how did we decide, what is most compelling? What have the best potential legal claims and what is going to be financially viable for the client to be able to keep that home? We had an expanded team that worked on these cases, litigated these cases and have -- I am really proud to say that we've gotten tons of great results for clients through litigation, through settlements, non-litigation. One thing that I've learned from the experts at the National Consumer Law Center and from just experience handling these cases is that bad facts make bad law. And we have to look at them, the merits of each case, not just the technical legal claims we might be able to find under the Truth in Lending Act or the Real Estate Settlement Procedures Act or HOEPA, or the Georgia Fair Lending Act. What are the underlying facts? What is compelling about what has happened and who this person is? What this company has done, what they knew they did.

Patrick Rochelle: ... Some states like Ohio, Arizona saw an increase in mortgage foreclosures in 2005, 2006 in the years leading up to the crisis. Was that your experience in Georgia as well? Or was it [in] some ways, was Georgia kind of like a canary in the coal mine, this was going on years before -- well before the crisis - or did you see a spike?

Karen Brown: Really both. The foreclosure numbers were increasing gradually from the early 2000s up to 2010. And as lawyers who have people come to us who need help, we're always looking at the foreclosure legal ads because we're trying to figure out among other things, is this person scheduled for a foreclosure? They may or may not know. That letter they may never have been received and Georgia law doesn't care if they didn't receive a foreclosure notice. So, we would look at the foreclosure legal ads. And so of course, every month when those advertisements come out, we're looking, wow, there are more pages this month, many more pages this month. ... So yes, there was a gradual increase. We saw that. Yes, we were the canary in the coal mine. We were telling folks, but people weren't listening or they didn't care. But yeah, so we were seeing hundreds a month and then thousands a month. And I -- during the foreclosure crisis, I think the maximum amount we saw in the greater metropolitan Atlanta area was 14,000 foreclosures per month. And for several years there, it was between 10 and 12,000 per month. But it definitely peaked at around 14,000. I think it was in 2010.

Patrick Rochelle: I realize that we've gone well over the time limit. And I apologize for that. ... It seemed at the beginning, you wanted to talk a little bit about your time in the Senate in the late '90s. I know we had also talked about the Home Safe Georgia program. ... What did you think was more, what would you like to [discuss next]?

Karen Brown: Yeah ... I might touch on a little bit of both ... Between '98 and '99, our president was [Bill] Clinton. It was very unfortunate that during my time there, he was going through impeachment. So that was not a great time for me to be in Washington, but what was making its way through Congress was legislation to modernize financial services. The Financial Services Modernization Act, which ultimately was enacted in the fall of '99, right after my fellowship ended. But the banks were all over Capitol Hill. And the insurance companies. The Glass-Steagall Act had said …you need to have walls between securities and banks and insurance industries. And, of course, they wanted to modernize and combine.

And, of course, they were already doing that. Some of those companies were already doing that despite the law being against them. But I think that that's also what ultimately led to the crisis is they were able to form these global corporations that could engage in all of these practices and profit in all these ways through making loans, securitizing them, having these insurance products. But my time in Washington, so I'd been a lawyer, a Legal Aid lawyer for eight years. And so I had my experience, which I had hoped to bring to Capitol Hill, but it was eye opening seeing the kind of lobbying that was happening from banks and others in the financial services industry. There was huge pressure for that to go through. Huge pressure. Not a lot of regard for homeowners and what that might mean for the real estate market and the mortgage market and homeowners.

So that was going on. Now fast forward to the crisis, and then, of course, in 2010 Congress enacted the Dodd-Frank Act to reform Wall Street. And also through the TARP Program, the Troubled Asset Relief Program, designated a huge amount of money. I think it was $7 billion to 18 states plus D.C. Georgia was one of the states that had been hard hit by the unemployment crisis and the foreclosure crisis. And so we were definitely involved in advocacy with the state of Georgia that got those funds. $339 million came to the state of Georgia. The state of Georgia through the Department of Community Affairs established the Home Safe Georgia Program to help provide mortgage assistance for homeowners who were unemployed or financially struggling because of what was going on with the economy and the foreclosure crisis. That was a disappointing time because we did a lot advocacy with the state to try to get them to expand their program and not make the criteria for eligibility for the program be so restrictive.

It was extremely restrictive. So many people who applied couldn't get access. So, the foreclosures that were happening continued to happen. Just in the Metro Atlanta area, tens of thousands per month or -- 10,000 per month. ... There was this huge pot of money available to help folks that wasn't getting to folks. We did the advocacy we could. ... they, to their credit, eventually made some changes, but it was really too little too late. We did help a lot of people access those funds and they did ease up their program requirements, but it was a tough time for a lot of people. ... The people who were hard hit by the predatory lending practices were, of course, the ones hardest hit by the economy by the Great Recession.

Last hired, first fired. The neighborhoods that were decimated by predatory lending practices were eventually saturated by those horrible loans. In the crisis, those neighborhoods became -- they changed -- lots of vacant homes. People were foreclosed on. We couldn't save everyone, of course. We certainly saved a lot of homes, but we couldn't save everybody. And there was so much more that could have been done, I think by the government at that time, by lenders as well, mortgage servicers. But that's what we went through and -- people are not going to forget that time, the people who've been through that.

Patrick Rochelle: We have a few concluding questions. And one of them is: 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?

Karen Brown: In one word: greed. Certainly, corporate greed was a huge driver. There is no, like I said at the beginning of our talk, there's no reasonable justification for charging super high interest rates and points and fees and for employing abusive terms that are going to create payment shock for the homeowner. The lending industry can ... we're a capitalist system. They can still make profits by making good mortgage loans. So, greed, I think drove a lot of what happened. Another thing that was going on was the lack of enforcement of existing law. Government certainly had a huge role. The lack of enforcement of the existing laws and the failure to improve state and federal law, enforce existing regulations, and the failure to improve regulations. That's based on my experience of working in the trenches for 30 years.

Patrick Rochelle: Looking back on the crisis over a decade later, what do you see as its most important lessons for nonprofit leaders and advocates like yourself?

Karen Brown: I think the most important lessons are ... we need to continue fighting and making sure our voices are heard. ... There's so many things that are beyond our control. We can't make the Georgia legislature improve laws or Congress or the federal agencies or state agencies improve their programs. We can do all the advocacy we can. This is our role as lawyers to advocate on behalf of our clients and their individual cases because we're not allowed to do class action cases. We can do multi-plaintiff cases, which we've done. But we have to fight in all the ways that we can. We have to work together with other advocates around the country, other people and private lawyers, other nonprofits, [and] do what we can do under the restrictions that we have based on the kind of funding that we have, but continue to fight for our clients.

I think that the model that Bill Brennan set up for the Home Defense Program is a wonderful one. And that is that multi-faceted advocacy, doing the legal work, doing the housing counseling and financial work, helping our clients with budgeting, working with other nonprofits, working on community education. That's certainly been a huge part of what we've done. Working with the news media, not just to shine the light on the bad practices and to educate homeowners about scams to avoid, for example, but to really shine the light on the companies that are engaging in these bad practices, and it's up to others in the community. And there are other organizations that will take advocacy ... [to] their next step. There've been protests, sit-ins, marches. Other organizations that -- we're not allowed to do that, but other organizations certainly do that.

And another piece of that is ... [We need to] continue our -- the relationships that we've established with officials in the government. I've even recently with, with what's going on with our current pandemic, I've been in touch with someone in the state government regarding the funds that are beginning, going to be coming down for mortgage assistance and already doing the advocacy I can to help make sure that the money gets out to the people in need because that's one of the things that wasn't, that didn't happen. And I think because of the relationships that we've developed, we can have that conversation. I can have that conversation with that person in state government. And that person also said that we have our own lessons learned. [They're going to] try to make that more easy -- it will be easier for folks to have access to the funds. I'm sorry, I interrupted you.

Patrick Rochelle: Oh, no, no, no. I was going to say, who's your contact in the government...?

Karen Brown: Her name is Brenda McGee, and she oversaw the Home Safe Georgia Program. She's part of the Department of Community Affairs. And I'm grateful that we can have that kind of conversation and that I can grow on my end and try to improve our advocacy and she can grow on her end. I know that I -- I can be very passionate in my advocacy and sometimes anger will come out and outrage. And the receiving end of that I understand is not great to be on. And so sometimes doing advocacy in a way that is easier for the state official to hear or the bank to hear, we might get to a better place, get to a better result for individual clients and my client population.

Patrick Rochelle: Thank you for your time today

[END OF SESSION]