

AMERICAN PREDATORY LENDING AND THE GLOBAL FINANCIAL CRISIS

ORAL HISTORY PROJECT

Interview with

Peter Skillern

Bass Connections

Duke University

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PREFACE

The following Oral History is the result of a recorded interview with Peter Skillern conducted by Patrick Rochelle on December 7, 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: Sean Nguyen Session: 1
Interviewee: Peter Skillern Location: By Zoom
Interviewer: Patrick Rochelle Date: December 7, 2020

Patrick Rochelle: I'm Patrick Rochelle, a graduate student from 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 Monday, December 7th, 2020. I'm conducting an oral history interview with Peter Skillern, Executive Director of Reinvestment Partners. He joins us via Zoom. Thank you for joining me today, Peter.

Peter Skillern: Thank you, Patrick.

Patrick Rochelle: I'd like to start by establishing a bit about your background. You earned a BA from the University of California, Santa Cruz in 1986 and later you completed a Master's of City and Regional Planning at UNC Chapel Hill. Did I get that right?

Peter Skillern: Correct.

Patrick Rochelle: So in the context of your work life, when and how did you first become involved with residential mortgages?

Peter Skillern: I was Executive Director of the Durham Affordable Housing Coalition. We provided housing counseling. I also was an activist around the Community Reinvestment Act. My master's thesis was on using Home Mortgage Disclosure Act [HMDA] data, taking it from magnetic tape reels to floppies using this crazy program called Excel to be able to analyze services to minority neighborhoods and individuals. And so that led me to a 30-year career in doing advocacy with financial institutions around their lending practices.

Patrick Rochelle: ...[W]hat did you find in your master's thesis?

Peter Skillern: A high disparity rate in lending [to] whites compared to blacks ... [as well as] application rates, denial rates, and total amount loaned.

Patrick Rochelle: As you mentioned, you served as Executive Director of the Durham Affordable Housing Coalition from 1991 to 1998, I believe. While you were there, what issues related to residential mortgages did you and your colleagues follow most closely?

Peter Skillern: So, we did an annual evaluation of the financial institutions. The organization was called the Community Reinvestment Association of North Carolina [CRA-NC], and I did the data analysis for them. We called it the "CRA-NC's Ranks of Banks", and ranked the bank based on indicators of how well they lent to minority communities. Those who were doing outreach and had high

application rates, low denial rates, and high dollar amounts lent, ranked better. And then we suddenly saw a change in the rankings where organizations like the Associates and United Lending Company and others were the best. They had the highest application rates, the highest approval rates. So the dollar amounts grew significantly. But when we looked into who those banks were, we realized that they were predatory lenders, subprime lenders, and they were taking over the market for minority and low-income households. When we did research into what the type of loans were, we found a series of predatory practices, such as high interest rates, single premium credit life insurance, high fees, flipping. And so that was kind of for us the call to action to address that issue. But it wasn't simply a matter of reversing redlining, but addressing the greenlining. ... I published a paper with NeighborWorks outlining [the trend] – it was one of the first publications demonstrating this impact.

Patrick Rochelle: And what year was that when you first [started] to notice that?

Peter Skillern: '98, probably. That article came out in '99.

Patrick Rochelle: Would you say those findings were a surprise to you? Or was it something that you think had been building for a number of years before then?

Peter Skillern: So, Bill Brennan with Atlanta Legal Services was really [at] the forefront of advocacy ... about demonstrating what the predatory lending was doing to the African-American community and Atlanta's neighborhoods. So we certainly weren't the first to identify it as a problem, but using HMDA data to demonstrate it helped to give you the context and the scale and [an analysis] that could be replicated for every city. And that's when you started to realize that this wasn't an anomaly, it wasn't kind of a one-off bad actor. It was a whole shift in the lending, and that was on the origination side. And then when you started to track it up, you realize that Freddie Mac was involved in purchasing those subprime loans and providing liquidity because [the loans] had higher returns. And so that became another [factor], you started to unravel each piece of the predatory supply chain and areas that need to be addressed.

Patrick Rochelle: While you were still at the Durham Affordable Housing Coalition, what sort of policy levers were available to you to help your organization achieve its goals with regard to affordable housing, providing affordable housing in Durham?

Peter Skillern: Well, if I stay focused on the subprime lending issue, ... very few. So Community Reinvestment Act [CRA] covers depository institutions. The Associates and United and the Money Store were not depository institutions. Nonetheless, we took the tactics of advocacy to the streets regarding those. First Union Bank based in Charlotte purchased the Money Store and they had already had findings of illegal lending. And so we really tried to pressure First Union to clean up the Money Store. And one of those events included an agreement of best

practices and a CRA agreement.¹ And we had the NAACP [National Association for the Advancement of Colored People] and the North Carolina Fair Housing Center and others, and we organized a New Orleans type jazz band. We were outside of First Union to highlight the best practices. And then we marched down to the Federal Reserve Charlotte branch and spoke with the leadership there about what they needed to be doing to ensure consumer protections within the lending. So one of the dynamics of community groups is that we often are the first to notice something because we're connected to the community. But we lack, almost by definition, power to leverage change. Those come from policymakers, such as the Federal Reserve.

Patrick Rochelle: You've mentioned a couple times now, your beginnings of your work at the Community Reinvestment Association of North Carolina, which is now Reinvestment Partners. What led you to the Community Reinvestment Association of North Carolina? ... And how [would] you describe your role there?

Peter Skillern: I was on the board from '91 to '99, and we had gone through a series of trying to find an Executive Director and nobody would take the job, so I volunteered for it.

Patrick Rochelle: ... In 1999, when you took the helm, how, broadly speaking, would you characterize the state of the mortgage market in North Carolina? And how was it different say than, the early nineties when you were just beginning your career?

Peter Skillern: Yeah. So I think all of this work stems from a deep commitment to social justice and that's the lens I'm using to analyze the progress that was made. So redlining was still prevalent and the level of racial discrimination evident in the data. ... The law, this Community Reinvestment Act, was only passed in [1977]. It was the last of the Civil Rights acts. So ... 14 years later ... you're still kind of working through the implementation and the change and institutional practices and cultures. In 1988 in the FIRREA [Financial Institutions Reform, Recovery, and Enforcement Act] legislation, they updated the HMDA data. [It] wasn't until... 1990 that it came out that allowed you to look at individual application rates and denial rates. And that's where we were finding banks with a ten to one denial rate. So the racism embedded in our society was clearly evident in the bank lending practices.

¹ “Today, CRA and its implementing regulations require Federal financial institution regulators to assess the record of each bank in fulfilling its obligation to the community and to consider that record in evaluating and approving applications for charters, bank mergers, acquisitions, and branch openings. The Federal financial institution regulators are: the Office of the Comptroller of the Currency (OCC)...the Board of Governors of the Federal Reserve System; and the Federal Deposit Insurance Corporation (FDIC).” Quote pulled from, “Community Reinvestment Act,” Office of the Comptroller of the Currency, March 2014, <https://www.occ.gov/publications-and-resources/publications/community-affairs/community-developments-fact-sheets/ca-fact-sheet-cra-mar-2014.html>

So the shift over to the subprime lending was what was kind of a stark difference. As we started to get changes in institutional practices, you then saw this whole [conversion]. And then the banks as [they] started to consolidate would buy the subprime lenders. Like First Union with the Money Store, or Citi Group with the Associates. And then have the secondary market buy the [loans]. [Then] you saw all of that being institutionalized. And while it affected more whites than blacks in absolute numbers, disproportionately, it affected African-Americans and minority communities. So when you ask, how did I get involved, it came with the issue of tracking where do we make a difference where financial institution lending is having a negative impact on [African-American] communities.

.... So, once we fought the predatory lending, mortgage lending, and payday lending, and the crisis hit in 2007, 2008, 2009, our focus became on what was happening with the foreclosed properties. So you'll find a video on our – YouTube, “Zombie Foreclosure Shake.”² And we again did a protest [against] the incredible number of properties that the banks started the foreclosure on but didn't finish because they didn't want to own the collateral. And the borrowers had walked away. And those properties became dilapidated, distressed, and kind of where crime was at. And we ran a [protest] from a house one block down that Bank of America was responsible [for] and got changes on that. But once again, those properties were primarily in minority and low-income neighborhoods. And so you, again, you see it's really kind of, the issue may change and morph, but there's a real theme here around equity and how the financial institutions either help or harm communities.

Patrick Rochelle: Before we get into the actual financial crisis, I was hoping we could spend a little more time in the late '90s and early 2000s. CRA-NC opposed numerous bank mergers in the early 2000s ahead of the financial crisis. What about these specific proposed mergers caused you to take action? What concerns did your organization have with these mergers? And I'm happy to give you a few examples. Bank of America and Fleet Boston Financial and National Commerce Financial and SunTrust Banks of Atlanta. There are others, but --

Peter Skillern: Well now I'm interested in how you know those names.

Patrick Rochelle: I did some research. [That] is how I came across them.

Peter Skillern: Because I fought those. I'm pretty sure you weren't – they're not really kind of like historical events.

Patrick Rochelle: Oh, gotcha. No, I've done a little bit of desk research ...

Peter Skillern: So, let me give you different examples.

Patrick Rochelle: Sure.

² “Zombie Foreclosure Shake,” <https://www.youtube.com/watch?v=bTxryUzNQU0>.

Peter Skillern: Citigroup sought to purchase Golden State Bank, which was a thrift [bank]. And it, at the time, was still owning the Associates. And we had already lost the fight of Citi purchasing the Associates. Because we raised hell on that. And my friend Stella Adams, who you've interviewed for this project, was like – I said, "Stella, we can't win." She says, "It don't matter whether we're going to win." She says, "[It's] whether we're going to fight." And so we went up and testified at the Office of Thrift Supervision hearing. And out of that hearing, it actually led to a reprimand of Citi. Citi refused to turn over information to the Federal Reserve. Those fights were as much about lifting up a voice, even though we knew we were going to lose, in order to try to influence decision makers within the institutions, within the public, and the federal regulators.

Let's talk about National Commerce Financial [NCF] and SunTrust. NCF, for a long time, [owned] Central Carolina Bank [CCB]. [CCB] was a good local hometown bank. We got a CRA agreement with them when they were going to merge with National Commerce Financial. We had a big fight, and they agreed to it. [But] they didn't honor it. And so when ... National Commerce Financial was bought by SunTrust, SunTrust ... said, "Well, we're not going to do any agreement with you. We're not going to try to make improvements." So we were actively seeking to get the bank to affirmatively meet its community credit needs.

Here's [an]other piece of it is that, again, this is more information than you need. National Commerce Financial started a nonprofit called the Senior Housing – Senior Crime Prevention Fund. And they put their [staff as] board members on it. [When] they applied for the 501(c)(3) the IRS turned them down and said, "No, you're a captured entity of a for-profit. So you can't do that."

So they ... then misrepresented who was on this nonprofit [board] on the senior crime – Senior Crime Prevention Fund. They then went to banks and said, "We will sell you Fed – Treasury notes and you can either treat it as an investment or as a loan. We're going to take a really thin margin off of those investments and invest them into educating senior citizens in nursing homes and LMI [low and middle income] census tracts how about, how not to be taken advantage [of], and we're going to give them a plastic [safe], we're going to give them some stickers, and then you can count not just what was donated for that purpose, but the entire Treasury note." So you get the security of a T-note [Treasury Note] and its returns, plus all the CRA credit for those dollar amounts in those LMI communities. And it was a complete work around for the CRA, for having really integrity in that. And so I give that as an example of why we did those fights. [It] is because financial institutions were not acting ethically to fulfill their affirmative obligations. And in some cases it was because they were actively harming the community through ... predatory lending.

Patrick Rochelle: Were there any that weren't harming the community and that you've had a really good back and forth with and could negotiate with in fair in --

- Peter Skillern: With a sense of integrity? BB&T. We signed our first CRA agreement with them back in 1994, and they really kind of honored it. They went from redlining to having one of the best mortgage lending programs and in-house program. Good numbers. They emerged to be the best community development lender. And they did not have predatory -- they stayed out of the predatory lending market. They stayed out of refund anticipation loans. They stayed out of payday lending. They did not participate in the cashflow along the way, the supply line of capital. And when we would test them and found discrimination in their front lines, they would then actively educate folks and change their policies. So we found them to be an institution that worked with pretty, pretty good integrity.
- Patrick Rochelle: I want to turn a little bit now and talk about the North Carolina anti-predatory lending law. Could you speak a little bit about the role CRA-NC played in developing that law?
- Peter Skillern: So we, I think, played a role of consciousness raising. We were, before that law was introduced, we were in front of Nation's Credit wearing shark noses, highlighting the fact that it was owned by NationsBank and that NationsBank was [merging] with Bank of America. And so we challenged that merger based on that predatory lending. And that picture that you see up on the wall there, that's of my friend Stella Adams and I in San Francisco testifying when we were there to [protest]. So, in the legislative campaign we were seen as the attack dogs as far as being willing to call out the banks. And that was the role we were assigned was to kind of be the outside agents.
- Patrick Rochelle: What policy makers were you trying to influence? Who was on the, ... who was opposing your point of view?
- Peter Skillern: Well, the predatory lenders were for sure, the subprime lenders. We were quoted in the *Wall Street Journal*, the *New York Times*, because this movement to regulate was seen by the national media as an important turning point. And the fact that it passed with significant reform issues such as the elimination of single premium credit insurance was significant. So I'm -- I forgot your, forgot the question.
- Patrick Rochelle: Who -- what policymakers were you trying to influence when it comes to actually passing the legislation? You said you -- described yourself as the attack dogs. But who are you trying to ... who needed to be convinced that this was a problem?
- Peter Skillern: Right.... The subprime lenders were against it, because that's how they made their money. But I want to give credit to a number of the -- all of the community bankers supported the reforms. And I believe even First Citizens [Bank]. ... There were two [bank] associations. There was the North Carolina Community Bankers Association. And then there was the association of the big banks. And that, Wells Fargo -- Wachovia, First Union, BB&T, First Citizens. There's a fifth one. And they kind of split initially. And they essentially, that turning point changed where they realized they couldn't be, the big five, couldn't be affiliated with the

subprime lenders. First Union owned the Money Store. Bank of America owned Nations Credit [NationsBank]. There was a reason why they were opposed to the legislation. But this turning, and this was partly what we did, was to kind of highlight who actually had a conflict of interest in opposing these predatory practices.

Patrick Rochelle: So the legislation passes in 1999. What impact did it have on the residential mortgage market in -- from 2000 to 2007 right before the crisis really, really gets going? Or is it hard to know?

Peter Skillern: It's hard to know. I think that's a really good [question] actually. In North Carolina, once you pass a law, you then had to be able to enforce it. And so another corollary to that was the legislation [that] passed [to] license mortgage brokers, because the brokers were an unregulated entity. And a lot of these loans were being originated by them and then sold into the market. And so this is when Joe Smith became Commissioner [of Banks] and implemented those regulations. So you started to get integrity at the local, at the state level, both with the rules of the game for loans, as well as enforcement around who's playing the game. And then those two things I believe helped improve residential lending in North Carolina. But here's the problem. It's all state-based law and the banks and the predatory lenders were easily able to then go take the national charter and export the rules and exempt themselves from those state-based laws. And so the influence and reach, going back to I'm not sure how much, was limited. I think it's also hard to measure the impact that that law, those laws had in influencing other state fights. So in no other state that I know of did the bankers join in support of the reforms. There suddenly became an us versus them. And you didn't find the same type of industry leadership on creating a level playing ground.

And this is, again, going back to the dynamics in North Carolina. That was in large part because of Paul Stock, who was the general counsel and lobbyist for the Bankers Association. It was because of Joe Smith. It was because our Senate leadership was -- Senate Majority leader was Roy Cooper. Mike Easley was [the] governor. All of those players made a difference. Those were the policymakers that affected real change at the state level, but couldn't at the national. And again, this is kind of where RP [Reinvestment Partners] or CRA-NC came in to be, play a role, is that we were able to go protest at the FDIC, protest at the Comptroller of the Currency office. We were able to play at a national level as a state group with raising consciousness and saying here's what's right.

Patrick Rochelle: With regard to the protest, frankly, what you've described [are] creative protests. It's the shark noses and the themes and that sort of thing. Whose job is that within your organization to come up with this sort of --

Peter Skillern: That's me, man. I hold a general contractor's license and a real estate broker's license and a master's in planning. I think it's really funny people really remember those protests by me. They seem to identify that, and it seemed maybe somewhat to discount the fact that we also did original research.

Influenced policies. I testified before Congress, the U.S. Senate, and the U.S. House four times around this issue. I've testified before multiple federal regulators. So I think that the protest is both a sign of our lack of power. That was our ability to have power and influence. And then also a reflection of our philosophy that by raising up what's right and doing it in a way that's humorous, that's not mean-spirited, that people of good faith can hear. I think that was a contribution to this movement. And I think that's partly why – one thing I think could maybe captured in your oral histories is that this wasn't just about policy fights or just about lending. This was – those involved with it felt like we were part of a movement. It was like being part of the Civil Rights Movement at a key point in time. And that's the way we fought it.

Patrick Rochelle: Given all that, how did [CRA-NC's] approach to raising awareness, fighting predatory lending [in] North Carolina, differ from other non-profits?

Peter Skillern: Well, we also were broke, and I have to tell you that picketing outside of a bank is not the best way of raising money from them. And foundations actually aren't necessarily that interested in that strategy as well. So partly the capacity of what we're able to do is based around the funding resources that were available too.

Patrick Rochelle: I've read a number of ways you all engage with the community. One that comes to mind is a Spanish soap opera - *Nuestro Barrio*. [Reinvestment Partners has] published several books over the years. Can you speak to some of these other ways that you all engage with the local community and state and federal level? What are some of these other -- other ways that you've stood out in your advocacy work?

Peter Skillern: One example is a shareholder advocacy. So we purchase shares in financial institutions, and then use that to file shareholder resolutions and also use it to enter into the shareholder meetings and speak from the floor. I think these were pretty powerful actions. A story of that. We bought shares in H&R Block. They were a refund anticipation lender. And we read their bylaws, and I decided that I could become a board member. So I stood for election. And we also filed a shareholder resolution and we were denied entry onto the ballot ... and the resolution also was rejected by the SEC [Securities and Exchange Commission]. So, I showed up at their annual meeting, stood up, nominated myself, voted our 129 shares out of like, I don't know, 20 million shares for our campaign. Gave a speech and then went to -- outside and met with the *USA Today's* photographer.

They took a picture of me in front of their new H&R Block building. And I was on the front page of *USA Today* calling out H&R Block for their RAL [refund anticipation loan] lending. That was pretty dramatic, right? That was national coverage just based on the fact that we use that shareholder resolution that -- shareholder status to be able to articulate what was wrong about those refund anticipation loans. So I think that that would be an example of what would

differentiate us from some of our other groups and also how we try to creatively use witnessing as a tool for influence.

Patrick Rochelle: And for clarity, can you describe what a refund anticipation loan is?

Peter Skillern: Sure. ... I'm a tax preparer [at] H&R Block. And I said, "Hey," I said, "Do you want to get your refund now? Or later?" You say, "I want it now." And I said, "Do you want to pay me your fees now? Or later?" [You say], "I want to pay you later." [I say], "Have I got a product for you! It's called a refund anticipation loan. And I'm going to advance you your refund, your Earned Income Tax Credit [EITC]. And I'm just going to take out my fees. But you're going to get the money today. You're going to walk out with your check and then I'm going to get paid later for that. And it's a loan. I'm essentially loaning [you the] proceeds. But in that loan transaction, they're taking out a significant amount of fees and charging triple digit interest rates, and they're targeting the most vulnerable. Because usually it was the EITC clients. And so our multi-year strategy was to go after -- if you looked at the tax preparation business as a pyramid at the bottom are the preparers and of those preparers about 40% are independents -- mom and pop shops.

And about 60% are owned by three industries. H&R Block. Okay. Gosh, I've just blanked on the other -- Liberty. And the third one [Jackson Hewitt]. And then those three were doing most of the RALs. And then they partnered with -- there were six lenders, six banks, because they can't make loans. And so those banks were partnering to make the loan. And then those banks were regulated by three regulators and the IRS. So our power analysis was let's just ignore all of the mom and pop shops. Let's go after the tax preparers. There's three. Let's go after the banks. Let's go after the regulators. And through a series of these types of actions and policy work and lobbying, we affected that change and refund anticipation loans were eliminated for a number of years. They're kind of making a comeback now underneath the Trump administration. Is that a good story to kind of express like, right -- you see, again, I could tell you the story about how we protested and that's what captures people's imagination. But there's so much thought around how do we make that protest effective? How do we implement that change?

Patrick Rochelle: You mentioned earlier taking partial ownership in specific organizations as a shareholder. Were there -- did you find that using that approach ever helped you in conversations with banks that were looking to merge? That ... somehow it gave you a little bit more leverage with the community -- to use the Community Reinvestment Act in your favor?

Peter Skillern: So, I would say that being a shareholder was helpful. It also was a tool for us to build some assets. So we had grant donations to allow us to buy those stocks, and they grew over time. But maybe another way I would phrase your question is how did you find yourself to be effective? What was effective? Was shareholder advocacy effective? Was protesting outside? Was it policy work? And I would say we would throw whatever we could up on the wall to

determine [what] would stick. And the outcomes were really different depending upon the leadership of the institution. And some institutions just would not listen, would not listen to us. They would not even meet with us. They were committed to what they were doing and they didn't need to. And there are others who met with us, talked a good game and then didn't make any change.

And then there are others who listened and made changes. And then there were some who wouldn't talk with us, but still made the changes. And sometimes I came back and I said, "Wow, which strategy do I use to be effective?" And I realized that I don't know because I can only do what I think is best. And then it's on the other side to determine how they're going to respond to that. Again, you're not as a position of faith, you're not called on to win, you're called on to witness. And then you see what comes from that. I really keep thinking about Tracy Chapman's song, "Hunger Only for a Taste of Justice". And it's a great lyric. It's really just about being about that. And I think that kind of belief system and fervency and focus allowed us to be effective consistent[ly] year after year.

Patrick Rochelle: Sort of that same vein, which advocates from your perspective were particularly influential, or played a particularly important role in the years leading up to the financial crisis and afterwards?

Peter Skillern: Oh, my top hero is Stella Adams.³ Stella is exemplary of fighting the fight because it's right. And she's -- her analysis is dead on, her spirit is really good as far as being able to articulate differences and then still get along with people. So I would list Stella Adams as my number one hero on that.

Patrick Rochelle: [I] was interested to see you all offer a number of services such as housing counseling and taxpayer assistance support and that sort of thing. ... Was that in some way a way that you could, that your organization could sort of monitor and help police predatory lending? Did that prove helpful in your own advocacy work and spotting problems as they arose?

Peter Skillern: Yeah. I think one of -- particularly as our agency has grown in the field of practitioner; being a practitioner gives you a certain level of authenticity and a frontline experience and articulating what changes are needed. ... Almost every fight we have starts in Durham and then expands up state and local and nationally. So the example I gave about the zombie foreclosure was because the property was one block from us, right? The HMDA analysis that saw subprime lenders increasing their market share, that was based in Durham. We filmed *Nuestro Barrio*, which was distributed nationally here in Durham. So again and again, the refund anticipation loans, we saw it in Durham and we saw a way that we could address it was to have tax preparation ourselves. And so we were seeing the predatory loans come through our shop. We were a part of battles

³ Stella Adams, Former Executive Director of the North Carolina Fair Housing Center, <https://apl.reclaim.hosting/oral-histories-2/stella-adams/>

fighting predatory lenders and tax preparers because the clients were coming through our shop. Fast forward to today. We're running a statewide produce prescription program that's serving about 40,000 people. That started in Durham as a pilot. And we hope to make, take that product national. So this local, state, national is one of our key components. [It] is that based in the authenticity of our relationships locally, we can become a voice for something larger.

Patrick Rochelle: In your own advocacy work, were there any missteps along the way in the lead up to the financial crisis in 2007, 2008? [Are] there any things you look back on and say, "I wish I -- I wish we could redo that."?

Peter Skillern: I think that to the extent that I -- Well, to the extent that I became bitter that resources were not shared fairly among the advocacy organizations was my loss. But that was just a cost I inflicted on myself. And [I] would have been much better off just walking away from the, from that piece of it. So, but the reality is is that you can only do that work if it's funded. And so today I don't have any staff that works on that issue after 30 years because we don't get any funding to do it. So now you start to see a real shift. The organization is bigger and better than it's ever been, but from that [Tracy Chapman] quote [about justice], that doesn't raise money. And so, affordable housing does. Food programs do. Things that don't challenge the status quo. Those -- the things that are adversarial, that's tough. So, that would be one thing just for my personal [spirit]. As far as tactics go. No, I don't. I felt pretty, pretty good about the creative work that we did and how we did it. We did the best we could with what we had.

Patrick Rochelle: So North Carolina has come to be seen as a leader in the fight against predatory lending leading up to the crisis. Are there specific aspects to North Carolina's story that you think are overlooked in terms of individuals, in terms of organizations that were involved?

Peter Skillern: Again, going back to this idea of a movement. That there were -- typically housing counseling organizations are really hard to get involved in policy. They're all about counseling the individual, [but] they were involved. There was just this broader outreach among groups and citizens and industry who just kind of recognize the unfairness of these practices. And I think that that would be one of the broader highlights. That there are -- I think one of the aspects of media is that media likes to focus on a face and a name and a story. And it's like, it's all about Michael Jordan, not about the whole team. But if you'd only put Michael Jordan out on the [court, they] still wouldn't have won. [That leaves out] all the other players who did what part they could [but] may not receive that recognition. Honestly, I feel like I've received as much recognition and more for my contribution. I was recently recognized as a Distinguished Alumni of UNC Chapel Hill. And I really appreciate that. And that was in part because of the commitment and impact we made in that during those years.

Patrick Rochelle: I'd like to zoom out a little bit now, sort of look at broad brush. Over the last decade, we've seen a number of different narratives emerge to explain the financial crisis. How do you understand what caused that crisis?

Peter Skillern: Greed. Pretty simple. I gave a lecture at Duke and I explained the home buying process. The money that starts with the realtor, and then the appraiser and the broker and the lender, and then the secondary mortgage market. And then the investors in the secondary, the GSEs [Government Sponsored Enterprises] [that] are buying that. And the bond rating institutions of those mortgage-backed securities. And at each point you could see where people's financial incentive overrode good reason. And the lack of regulatory oversight to keep everybody honest and accountable also failed. So John Reich was Director of the Office of Thrift Supervision [OTS] that oversaw [Washington] Mutual Savings & Loan. And they went from being the largest thrift in the country to one of the largest predatory lenders to being one of the largest -- the largest -- thrift failure. And which ultimately brought down the Office of Thrift Supervision itself. It no longer exists.

And in large part that was because John Reich did not enforce basic laws and regulations. They just did not supervise. Remember my earlier story about the Senior Crime Prevention Fund? So John Reich encouraged thrifts and small banks to invest in that fund, that this is a great way for you to meet your CRA. And we're going to give you credit for that CRA. So regulators saying buy, buy, buy. When he stepped out, down from the OTS, he got on that board and was paid \$150,000 a year as a nonprofit board member to continue to promote it. That's the level of kind of self-dealing that was happening. And so if it's corrupt at the top level, you can go all the way down the pike.

Patrick Rochelle: What ultimately led, if you could kind of finish the story, what ultimately led to OTS' collapse?

Peter Skillern: Well, one, it lacked credibility. It had regulatory failure. It was truly a captured regulator underneath that theory. They were paid by the people, the industry that they regulated, that's where the revenues came from to staff the evaluation. And so the more money Washington Mutual made, the more resources the OTS had. And when Washington Mutual failed, all the revenue to support the OTS also failed ... because they played such a disproportionate part. ... The pending financial failure [caused] a number of thrifts [to close], whether they were involved in predatory lending or not. It was a house of cards. And so things like that failure, that trigger, was when it started to collapse so quickly. You asked me earlier what one of the failures, any regrets and I can give -- one regret that I have is that my imagination failed me on how bad the collapse would be.

So I testified before Congress and I've got written congressional testimony saying the lending that Fannie Mae and Freddie Mac are doing just to support

subprime companies will have a[n] impact on our economy.⁴ It will lead to a market failure, and yet even saying it, I just didn't understand how big and how pervasive the crisis would be. As someone who studies the issue, I would point to the collapse of mortgage lending in the mobile home industry in the late '90s as the predecessor. ... All those subprime lending practices transferred over to stick-built residential. And if you look at the collapse of the mobile home industry, that was a precursor, it was a foreshadowing. Only, of course, it's a much smaller market compared to the residential. It was just it's – we're still resonating [from that] impact of that [failure], of that collapse.

Patrick Rochelle: You mentioned that -- your testimony before Congress. What was it like as the financial crisis takes hold and [then] you're asked to give this testimony. Frankly, what was it like to give a testimony on the [Capitol] Hill at that time? What was the atmosphere like? Was it hostile? Was it not hostile? ... What do you remember about some of those times you gave testimony?

Peter Skillern: The first time I testified it was in the House [of Representatives] in [2000] when we were fighting Freddie Mac. And we had a campaign where I was going across the country saying, "Where's Freddie?" And I said, "We'd look for Freddie to purchase low-income loans". And we said, "Where's Freddie?" "We look for Freddie to buy the housing finance agency mortgage revenue bonds." And we said, "Where's Freddie?" We said, "We look for Freddie Mac in finance and community development." And we said, "Where's Freddie?". I said, "Then we looked in subprime loans and guess what? There's Freddie." And I'd get the crowds to chant back and forth with me: "Where's Freddie? Where's Freddie?" So anyway, when you got to Capitol Hill and you're laying this out, you're also having to explain to legislators how these subprime loans work, how they're stacked, how it's impacting the secondary market because it's fairly complicated.

And then you're able to say, here's what we project for the future and what we ask you to do. Fast forward to post crisis 2009, 2010, and I'm testifying before the U.S. Senate Banking Committee. And the thing I said is, I read my line from my [2000 testimony]. I said, I told you so. I said, let me tell you what I see happening in the future if we don't kind of help to shore up the secondary market. I think we're facing, moving forward -- the privatization of the GSEs is an enormous mistake. And I think that you're going to find once again an exacerbated financial crisis because they're going to be privatized. Money is moved by greed and fear, and the government helps to tamper that down and modulate it. So it doesn't swing either way -- too much liquidity or too much constriction. So, I'm not excited. I'm still -- we're still waiting for that story of Fannie Mae and Freddie Mac and their demise and the crisis to be resolved. We're not done with the crisis's echo.

⁴ “Comments of Peter Skillern, Executive Director of the Community Reinvestment Association of North Carolina for the House of Representatives Subcommittee on Capital Markets, Securities and Government Sponsored Enterprises Hearing June 15, 2000.” <https://archives-financialservices.house.gov/banking/61500ski.shtml>

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

Peter Skillern: I love *The Phantom Tollbooth* and at the end of it, Milo was talking with the Kings of Numbers and the Kings of Words. ... Milo says to them, he says, "At the beginning of my journey, you told me you had something that you couldn't tell me 'til the end. What is that?" And [they say], "That you couldn't do it, that you couldn't, you couldn't beat the demons, you couldn't win." And I think that that sense of innocence, of people's aspirational hope that they can engage in these kind of monumental fights. Is that once again, not about winning, but it's about that journey and about doing that work. And we have to have a continuing renewal of that faith, of that youthfulness, of people who have both the experience and the commitment, but also just that hope. And so I'm wandering from your question, but I see as far as a movement goes, our movement has passed. There's a couple of large institutions, CRL [Center for Responsible Lending] and NCRC [National Community Reinvestment Coalition], but very, very few -- if any -- very few grassroots community-based state groups that are doing that work. That movement has been transferred into the Black Lives Matters movement, right?

That movement has been translated into ... saving the environment. I find youthful energy into addressing hunger and sustainable food systems. Those for me, it kind of, when I look forward, that's where the movement energy is. It's not really around the particulars of consumer protections within the financial markets. If your question, if I can remember your question again, was more back like what's the ongoing impact. I see it less in the financial markets. We -- the Consumer Financial Protection Bureau, many of the reforms that came out of the [Dodd-Frank Wall Street Reform and Consumer Protection Act]. We have a much better system now. We're fighting around the margins. But what didn't recover is people's cynicism, the millions of people who lost their home and lost their wealth and who were set back. Their distrust of government was increased.

And I don't know that, it's hard to, that's not a quantitative measurement, it's a qualitative measurement. But you continue to see that like with the support for Trump or for populist movements of people saying, "I'm not being treated right. And I don't trust the government to be able to help me." That's part of the echo. It's hard to measure the [despair] that groups of people have because we only meet people one at a time, not as groups. But that stress and strain of financial inequality is -- was continually fractured and worsened during the financial crisis. It's being worsened in the pandemic. And so going back to, what do I see in the future? I feel more like those are the things we're reverberating from less than any particular financial issue and that whatever our next big challenge is, [it] is not coming from advocates like myself. It's coming from the new movement and the new energy of folks who are going to overcome racial inequalities, who [are] gonna feed people, who are going to save the environment. I'm like, let's go!

Patrick Rochelle: Peter, is there anything else you, that we haven't talked about today that you'd like to mention or any important aspects of the crisis or -- pre and post -- that you'd like to mention or bring up before we conclude?

Peter Skillern: To be honest, I wasn't that thrilled about doing this interview in large part because I feel like the history is history. It's gone. I'm not sure how much value there is in telling back in the day stories other than entertainment. But I will say in the immediate future, next year --2021-- we're going to see a tsunami of foreclosures and evictions due to the, again, this disparity in who the pandemic impacted. And I don't see the leadership, the mistake that was made by the Obama administration was that they didn't act quickly enough to set up the TARP [Troubled Asset Relief Program] program and the mortgage payment program to help rescue. Like if you go back to -- to the Great Depression, one of the things that Roosevelt did in the New Deal was they set up a bank that bought up all those mortgages and they just sat on them. They just said, we're going to wait until the market gets better. And then we'll get paid. And it worked. Obama didn't do that as quickly. They really waited. And the debt, the damage was done. We are not even there. We know that foreclosure, the moratorium is going to end next month, and there's no assistance in place. There's no investment into counseling programs, that infrastructure. So again, back to your question, anything I want to add is: Mark my words. 2021 through 2024 is just going to be hell on the housing market for those who can't pay their rent or their mortgage. And it's going to be millions of people.

[END OF SESSION]