AMERICAN PREDATORY LENDING AND THE GLOBAL FINANCIAL CRISIS

ORAL HISTORY PROJECT

Interview with

Peter Gwaltney

Bass Connections

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PREFACE

The following Oral History is the result of a recorded interview with Peter Gwaltney conducted by Michael Cai on March 18, 2020. This interview is part of the Bass Connections American Predatory Lending and the Global Financial Crisis Project.

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

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Interviewer: Michael Cai

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Michael Cai: I'm Michael Cai, an undergraduate student at Duke University and a member of the Bass Connections team for American Predatory Lending and the Global Financial Crisis. Today is Wednesday, March 18, 2020. I'm joined by Peter Gwaltney over the phone. Peter is the former president and CEO of the Louisiana Bankers Association and Senior Housing Crime Prevention Foundation, and the current president and CEO of the North Carolina Bankers Association. Peter, thank you for joining me today.

Peter Gwaltney: Thank you. Happy to join you.

Michael Cai: So I'd like to start by establishing a bit about your background. You attended Louisiana State University for undergrad, is that correct?

Peter Gwaltney: Yes, I did. I studied banking and economics there.

Michael Cai: Great. And after graduating you began working at the Louisiana Bankers Association. I believe you served as President and CEO from 1999 up until 2006 when you then became the chairman, president and CEO of the Senior Housing Crime Prevention Foundation. And finally in 2015 you then became the president and CEO of the North Carolina Bankers Association. Is that correct?

Peter Gwaltney: Yes, that is correct.

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

Peter Gwaltney: Well, it actually dates back to right after graduation from Louisiana State University. I accepted my first job in banking at Calcasieu Marine National Bank in Lake Charles, Louisiana where I went through management training. And that was 1988. During that time, I purchased my first home, so my first foray into mortgage lending was being a customer, and as an employee of the bank, I was able to take advantage of the employee discount, where I received an 11% APR [annual percentage rate], on a 30-year mortgage from the bank. Those were very different times. And then from that point on, I was involved in compliance loan administration and then was recruited away to work for the Louisiana Bankers Association where from that point on, I was involved in public policy and so on within the banking industry.

Michael Cai: I'd love to do more about your time with the Louisiana Bankers Association and specifically about your role in Louisiana's mortgage lending regulations. But first, could you just describe your official responsibilities with the Louisiana Bankers Association and how they related to the market for mortgages?

Peter Gwaltney: Well, I started out my career there as the director of education in 1990 which effectively means I was responsible for all of the professional development programs. Bankers are, just culturally, very engaged in continuing education and training and development. And so, my responsibility was to provide all of that and plan all the programming. And so, a large part of what we did was mortgage lending, construction lending, just the how-to's from an underwriting perspective. And then also on the compliance side, just all of the various regulations that came down from Washington on just what banks had to do to comply with all the federal regulations from CRA [Community Reinvestment Act], you name it, just the whole suite of regulatory requirements. After ten years there in that role I was named CEO. And then from that point on, I was directly responsible for the government relations aspects, and public policy, and working with our members to try to shape public policy in the Louisiana legislature and with our congressional delegation in Washington D.C., which is very similar to what I do now here in North Carolina.

Michael Cai: …We're really interested in your experience with public policy in Louisiana, and we we're wondering what were some of the key changes in the Louisiana mortgage market during your time at the Louisiana Bankers Association?

Peter Gwaltney: Well, a lot of time has passed since then, so I'll do my best to recall. I remember my first mortgage was, I believe it was a 10% down payment. And it was held in portfolio at the bank. We didn't have a lot of options for low down payment back in the '80s … And again, the mortgage market doesn't vary much from state to state. Fannie Mae [The Federal National Mortgage Association] and Freddie Mac [The Federal Home Loan Mortgage Corporation] created the programs that our banks participated in to be able to, most of them, to originate and then sell in the secondary market and followed those guidelines. And what I observed over time while I was in Louisiana was just the relaxing of standards in terms of down payments, and documentation, and then also the advent of home equity lines of credit where in many cases, people were able to get their down payment, able to borrow their down payment and finance 100% of the house. And in some cases, even 105% of the value of the house. That's the most I think I personally saw was where people were able to borrow up to 105% or more of the value of the house, which wasn't a problem at the time because the general consensus and accepted practice was that home values always increased. And so, wait a year or two and the value of the home will catch up with the amount, the percentage of the equity, that had been loaned.

Michael Cai: You've mentioned this relaxing of the down payments and the home equity lines of credit. Did you or any of your colleagues express concerns to each other about anything related to this, to the housing and mortgage market?

Peter Gwaltney: Well, we did because in many cases, the bank, traditional banks, community banks, were not engaged in that activity because of the risk that it presented. And I'm not saying that no banks did. It was just, there were those among us who thought that's just a little fast and loose. And, we had been through both the real estate and the oil and gas crisis of the '80s when there was an IRS tax change on how real estate was treated. And at the same time, oil prices fell very dramatically overnight. And in the late '80s to about 1990, we had somewhere around a third of the banks fail. In Louisiana, we had I think 306 banks at the high-water mark. And we had approximately a third of those fail. So, bankers in Louisiana were very cautious and remembered when things were a little too fast and loose in the '70s and early '80s. And so, as the mortgage lending market started to heat up, my recollection is that some of us looked at one another and said: "We've seen how this movie ends. We need to be careful." And so, the challenge is when non-bank lenders, mortgage banks and mortgage lenders who are non-banks, are originating and selling just to make the fee and don't have any equity in the house or anything at risk, it creates a boil, you know, the market starts to boil, and people start to buy more houses than they can afford. You know how all of that ended. But I won't be so bold as to say we predicted it or saw it coming. But there was always that left foot on the brake that said, "We've seen this before. We need to be careful."

No one anticipated what ultimately happened with the financial crisis. But there was always concern among, particularly banks in Louisiana, Texas, and Oklahoma, those who went through the real estate and oil and gas crisis of the late '80s.

Michael Cai: I also was interested in when you were working at the Louisiana Bankers Association. What were some of the other agencies, state or federal, that you worked with most closely on issues related to the residential mortgage market?

Peter Gwaltney: Well, the FDIC [Federal Deposit Insurance Corporation], the Federal Reserve, the Office of the Comptroller of the Currency, and the Federal Home Loan Banks. And in our case, it was the Federal Home Loan Bank of Dallas and they were not a regulator, but they were a source of liquidity, a source of funding for mortgage lending. Bankers often barred from the Federal Home Loan Bank and matched funds. It was an interest rate arbitrage to do mortgage lending. And then our state banking commissioner oversaw both commercial banks and all mortgage lenders at the time. And what people didn't understand I think at that time, is that mortgage lending was— we operated under federal regulations, but the oversight was at the state level by state banking commissioners. And in our case, in Louisiana, it was the Office of Financial Institutions.

Michael Cai: How did you see the federal and state regulatory agencies overlap? And was there any tension in this model of following federal regulations but having state oversight?

Peter Gwaltney: I don't recall tension. We just accepted the model that the federal government through the federal regulatory agencies promulgated the regulations that we were responsible for following. Fannie Mae and Freddie Mac created the mortgage products that banks could offer and originate and sell back to them. And then our state regulator, the Office of Financial Institutions, would license mortgage lenders, require training, supervise that, and then do examinations of all the mortgage lenders that were not banks. Bank mortgage lenders were exempt from certain examinations and certain training requirements because they were already supervised. So that would have been double supervision. So, I don't recall a tension, and really the disjointed regulation and supervision, it really didn't become clear until we had the Crisis, and members of Congress were asking the Federal Reserve, "Where were you when all this was happening?" And I remember Chairman Bernanke at the time telling a joint committee of the House and Senate, "You did not give me authority to supervise this." And I don't think they really understood that.

Michael Cai: So, these mortgage lenders and originators just had separate oversight from the same state boards that you mentioned that the Bankers Association was mostly overseen by?

Peter Gwaltney: Well, the banks were all supervised by the Office of Financial Institutions. They had different levels of oversight depending on whether they were a bank or a non-bank.

Michael Cai: And so, out of all these different agencies you mentioned, I'm curious [about] which of these stakeholders did you engage with the most, and how about outside of the banking industry?

Peter Gwaltney: Yeah. I don't think I understand your question. Maybe ask it a different way.

Michael Cai: I was wondering just, with all the groups and agencies that you had to interact with in your position as president, which groups did you engage with the most? And also just outside of, I guess working with the banks, what were some of the agencies that you would also engage with frequently?

Peter Gwaltney: Oh, okay. The agency we dealt with the most was our Louisiana Office of Financial Institutions. We had a close relationship. We collaborated on things, shared feedback with them from what the banks were telling us. They would share with us what they were seeing in the banks in their examinations, but similar relationships with the FDIC, the OCC [Office of the Comptroller of the Currency], the Federal Reserve, and at the time, the Office of Thrift Supervision back when it was a separate agency before it was rolled into the Office of the Comptroller of the Currency. But most of our interaction was with the Louisiana Office of Financial Institutions.

Michael Cai: And what do you recall from these interactions in the housing boom years?

Peter Gwaltney: I don't remember a lot of conversations about it. Because our members, the banks in Louisiana were doing commercial lending, agriculture lending; mortgage lending was not, for any particular bank, the bulk of their activity. It was just another line of business, except for some of the mutual savings and loans where that was their primary business. But I don't remember too many conversations just focused on the run-up, you know, as things started to heat up as we approached 2007.

Now it's important for me to point out in 2005, in August of 2005, we had Hurricane Katrina, which was a major disruption to every aspect of banking, but particularly mortgage lending because the city of New Orleans completely depopulated for an extended period of time… I mean months, not days. And then whole neighborhoods didn't come back for six months to a year. And so, that was a whole other set of issues. Thirty days after Hurricane Katrina came, and that was, I believe, August 30th, if I'm remembering correctly. So in September, around September 30th, Hurricane Rita hit New Orleans, and then scraped along the rest of the coast all the way to Texas and wiped out a lot of real estate toward the Texas line. And so that created a whole similar experience of just complete disruption in banking, but also needless to say, the housing market.

And so, North Louisiana was spared much of that. A lot of North Louisiana was agriculture, rural, and smaller cities where there weren't booming real estate markets for housing. They were pretty slow and steady wins the race kind of a thing. And so, '05 and '06 were very different in Louisiana than they were anywhere else in the country, so it's kind of hard to look back at our experience and say, "Okay, yeah. Why weren't we talking about the run-up? Why weren't we talking about some of the things that led to the Crisis?" Because we were having a very different experience.

Michael Cai: You mentioned Hurricane Katrina and Hurricane Rita, and I'm very curious to hear what you did in your role in response to those hurricanes, to help homeowners.

Peter Gwaltney: Well, after the hurricanes hit, Katrina first, the city was, as I said, completely depopulated and just destroyed and the houses were flooded and it was just chaos and infrastructure — roads, telephones, electricity, everything — the salt water intrusion had just ruined everything and rusted everything. And so, we knew people couldn't move back anytime soon. And so we spent our first month on the ground there just reopening very basic banking services. There were twenty-seven banks flooded up to their rooftops and completely out of business for an extended period of time. And so we reentered the city weeks after Hurricane Katrina hit with the guidance from the governor, armed escorts from state police, and we used three or four bank branches where multiple banks would set up in individual teller stations so that people could come and visit their bank, cash a check, and find out what their balance is.

And that was a Herculean effort just doing that much. We advertised over radio, we put flyers on telephone poles so people would know how to find their bank. And that's where the FDIC came up with the idea of putting a Find-my-Bank section in their website. That all came from Hurricane Katrina. We were on the phone with the regulatory agencies daily after the hurricane, when we could get a phone line – having phone service was a real problem. So there were days where we had to skip the call because we couldn't get on the phone, because it just wasn't working. Now this was before smart phones and widespread internet use.

So, one bank had employees in thirteen states and didn't know it. They found it out like a year later. Luckily, they assembled all this and figured it out. So just getting employees to come back and to serve their customers was a challenge. And so, the housing piece of it was determining – a lot of the records were destroyed, which created a lot of problems. And so, millions and millions of dollars were spent by the federal government and the state to identify the owners of the properties, contact them, find out if they were coming back, whether they were going to rebuild, and if they were going to rebuild, in many cases they had to raise their house to a higher level because the floodplains had all been reset.

And so that was an enormous undertaking. Most of the banks, this is a kind of a misunderstanding a lot of people have, most of the banks required flood insurance even when the flood maps said it wasn't required. The bankers in New Orleans knew where they lived. They live in a bowl and work in a bowl, so they required flood insurance. So a lot of the homes were covered to some degree by flood insurance, and then in some other cases by their standard property and casualty insurance. The problem with that is, if it was a flood event and property and casualty insurance doesn't cover that. It doesn’t cover flooding. It only covers fire and wind damage and things like that, so fighting with the insurance companies was a large part of what we did. If you don't cover all of those things, that I just mentioned, people can't rebuild and they can't move back in. And if you can't do that with one house, you can't do that with that house and then the neighbor, and then you can't build a neighborhood back. It took a very long time and a lot of effort. And I probably didn't see my family for six months. I was so busy in New Orleans, and in Washington D.C, and in our office in Baton Rouge working with everyone. I left at the end of '06 and the work wasn't complete, the banks were profitable again, but the rebuilding had really just started.

Michael Cai: Well that was certainly a very terrible disaster and a challenge unique to Louisiana which is very interesting when you think about the financial crisis and how Louisiana's situation was different. And I guess just to kind of to cap it off talking about your time at the Louisiana Bankers Association, when you did choose to step back at the end of '06, what were your thoughts then on the mortgage market and its future?

Peter Gwaltney: Well, when I sold my house — so I'll be very personal about this because that was my experience — the house that I sold, I owned it for seven years. It had nearly doubled in value over that time according to my realtor. And we put it up for sale, and the person who bought it — I was told — that it was a subprime loan. I honestly, until that day, had never heard that term. So this is 2006, the end of 2006, I had not heard the term subprime mortgage. I guess I'd been so busy with Hurricane Katrina and all the recovery and all the other things we were doing. We weren't talking about those things. But I was told as a subprime market, they were a marginal borrower and they were borrowing — it might've been 100% of the value of the house — I don't remember, but my first thought was wow, this is crazy. I'll be glad when the documents are signed and I'm done with this house. And it closed and everything was fine, but so I got a sense that that was happening. I wasn't the only one, that was happening around the state and around the country. We moved to Tennessee and that same kind of lending was taking place where we moved in Tennessee, in Memphis; actually Collierville, right outside of Memphis. It was a hot housing market; home prices were going up. We had put in an offer and hoped that someone else didn't make an offer the same day. Houses were moving quickly, and credit was easy, and they offered me more than I needed and a lower down payment than I thought was appropriate, but I took it. So, I got a sense that things were a little fast and loose at that point, which has a result. When money is easy, people don't pay as much attention to the cost, to the price of the asset – that applies to homes, that applies to cars. You know, we only used to make 48-month car loans. Now I'm seeing 60 months, 72 months, 96 months, and that enables the car makers to raise the price. They could charge more because people can finance it and can afford it on a monthly basis. That also applies to college. That's why tuition is going up so fast, because money is easy through the student loan program. And so that applies to housing. If credit is too easy, values of houses can go up and people are just looking at the monthly payment. And so what happened does not surprise me at all. It didn't surprise me.

Michael Cai: …. After that had happened, just based on your personal story, did you talk to any bankers about subprime lending? …Were you … doing more research into subprime lending at that point? Or were you more … focused on your next role at the Senior Housing Crime Prevention Foundation?

Peter Gwaltney: Good question. I was less focused on public policy and I was more focused on growing a nonprofit foundation. And certainly until Lehman Brothers failed, and I realized we were in a crisis and "for sale" signs started going up on houses and I realized those are people who can't afford the payments. That's somebody who just lost their job. And that I might have bought at the top of the bubble, which is what I did.

Michael Cai: Shifting to the Senior Housing Crime Prevention Foundation and growing this nonprofit, could you tell me what some of your official responsibilities were and how they related to the residential mortgage market?

Peter Gwaltney: Well, they didn't apply at all to the residential mortgage lending market. The Senior Housing Crime Prevention Foundation is a nonprofit foundation that owns the Senior Crimestoppers program, which is a crime prevention program that's in nursing homes in roughly forty-five states that protects seniors from theft, abuse, neglect, all the different things that happen in senior care facilities. Studies show that when you densely populate a facility like a senior care facility with seniors, they are vulnerable to bad actors and so we provided various services and training for the staff and awareness for the families and just a lot of different things. And we got all of our funding from the banking industry. Banks made contributions to our work to fund what we did. And my job there was to take us from kind of a small, fledgling organization that wasn't very old at the time, to scale it nationwide and grow it up, scale it nationally. And so, it was seven days a week, flying all over the country, staying very, very busy. And so as all of this happened around me, I watched the news just like the rest of the world and tried to understand how it affected me again. I really wasn't so focused on public policy like I was in my previous life.

Michael Cai: Thanks for the clarification. And so, you were holding that position during the years of the financial crisis in 2007, 2008. Did that have any effect on your role with the foundation and what the foundation was doing?

Peter Gwaltney: Well, yes, because we had gotten a fast start in '05 and '06 at the foundation with banks funding our work. And then it seems like when I got there in January of '07, it just seemed to suddenly slow down and we couldn't figure it out. It was just harder than it had been. And we jokingly said, “What did I do to break this?” You know, as soon as I showed up. But in the rear view mirror, what we realize now is we were headlong into a deep recession and a financial crisis that didn't know it. And I remember the day Lehman failed and I remember that I talked to our team, I said: "Folks, this is what's been happening. We're in something deep now. Let's just try to survive it." And so we did, things flattened out for us. We managed as best we could.

And then probably around 2009, 2010, things slowly improved, and we were able to get our funding levels back up. But because we were working with banks across the country, they're not going to tell you when you walk in, "We can't help you, we don't want to participate because we're trying to save the bank. We're under a MOU [memorandum of understanding] with the federal regulatory agencies", or anything like that. In many cases, it's confidential. They can't tell you even if they wanted to. In a lot of cases, they just wouldn't tell us.

So that was my experience through the recession and the mortgage crisis. It got a lot more personal when the— and I was planning on staying there. I loved my work. I care deeply about seniors and I just really did love the work we were doing, and it was getting easier. The funding was starting to flow again in 2014. But the North Carolina Bankers Association approached me about coming here to take this role as CEO. And I turned them down a couple of times because I really did love my work, and then we finally got together and they said, “Please come.” And I did. And so we put our house on the market where we had bought, as I explained to you at the top of the market back in '07. And because we had a homeowner's restriction in our neighborhood that you cannot rent your house; if you leave, you have to sell it. And so at the risk of getting very personal, to sell our house we had to take a $100,000 loss in equity when we sold it. So when we talk about the recession and we talk about the housing bubble and the subprime crisis and the impact it had on real people who weren't even directly involved, as either a subprime borrower or a subprime lender, just an average person like us, it hit us very directly and took a number of years to recover from that. So I have strong memories of the impact of that recession.

Michael Cai: …. One more question related to your time with the Senior Housing Crime Prevention Foundation: you mentioned hearing a lot about the recession, mostly just gathering that through the news, but were there any other sources, in like the months leading up to the crisis where you felt that interactions were different or you were hearing any concerns from anyone you were working with?

Peter Gwaltney: Well, it's hard to describe. We referred to it as bankers just going quiet, where we would call a bank and say: "Here's what we do. Here's how you can help us. Would you like to have a meeting to discuss it?" They would do one of two things. They would say this is in the months and year leading up to – I think the commencement of the crisis as being Lehman's failure. Well, banks would do one of two things. They would say, "No, we're just not interested. Thank you," and get off the phone, or they would say, "Yes, please, let's talk about it" and we would go see them, whether it was in Buffalo, New York or Ventura, California. We literally worked coast to coast. And, we would go see them. We'd have a very good meeting. They loved what we did. They said they would think about it and then when we'd call them back, they either wouldn't take the call, or they would have an excuse that they hadn't talked about it yet, or they needed to have a meeting to discuss it, or they just decided that it wasn't a good fit for them at the moment.

What we look back on is, a lot of those banks were under memorandum of understanding, or cease and desist orders, or some sort of federal regulatory order that they were unable to do some of the things we needed them to do or asked them to do. They just couldn't tell us. And so, this kind of thing is abundantly clear in the rear view mirror. When you're in it, it's hard to figure out and you ask yourself, "Maybe I'm not telling our story right. Maybe I could do better." And I think that that's common with a lot of businesses.

Michael Cai: So just a few more concluding questions. You mentioned as you look back on the Crisis over a decade later, there wasn't a very real sense of worry that this recession was going to happen. But do you think that there is an important lesson for bankers looking back? What some of the warning signals were that something like this was going to happen?

Peter Gwaltney: Yes, and they still talk about them today: just fundamental sound banking practices. A sufficient down payment, whether it's a car loan, a home loan, or a business loan, means that the borrower has equity, has something at risk, and so a down payment, some sort of equity is important. Strong underwriting, understanding the source of repayment, whether it's a job, or a trust fund. Where does the money come from? How reliable is that source of income? How long has it been in place? How strong is this borrower? Where did the down payment come from? There's just so many questions that sound underwriting requires. And then what are the risks? If all the underwriting is good and we know what the risks are, whatever risks that are remaining, how do we mitigate those so that if there's a curve ball, something doesn't go as planned, how does the bank get its money back? Short of repossessing the house, because nobody wants to repossess a house. Banks don't want to own houses.

So it's all about the source of repayment. There's just no substitute for that. So this is just ABCs, one, two, threes for bankers, just sound banking practices. And being willing to say no to a deal. I hear this all the time. Bankers are very disciplined right now. They walk away from deals, they walk away, whether they're home loans or business loans. They know what's good for their bank. They know what kind of loans they want to book, what kind of borrowers that they want to have. And what risks are good for their bank. And if they're not a fit, they say no and let that borrower go to someone else. They're not chasing the next deal. They haven't been for quite some time. Our industry is very, very disciplined right now.

Michael Cai: To what extent do you see your personal experience as adding something important to our understanding of what happened in the run-up to '07, '08?

Peter Gwaltney: How important is my personal experience, is that the question?

Michael Cai: Your experience as the president of the Louisiana Bankers Association and on the Senior Housing Crime Prevention Foundation, and your experience in those roles as adding something important to our understanding of what happened in the run-up to '07 and '08.

Peter Gwaltney: Well, I always like to say there's nothing new under the sun. The business cycle is just that: it's a cycle, and it revisits us. It comes back and we have to remember our lessons that we've learned. And it's OK to make mistakes, but we have to learn from them. And I've been through numerous recessions. I've been through numerous business cycles, and the great recession, the oil and gas and real estate depression of the '80s, and in each case, the bankers learned something and applied it going forward. And there's just no substitute for gray hair and wisdom in all of this.

It's just very important-- when someone comes to me and thinks that they have a new idea, they've figured out a way to do some kind of lending that the others haven't figured out, I'm really slow to listen because there's just not that much new under the sun. And safe, sound banking practices, the ABC's and one, two, threes of our industry have been around for a hundred years or more and – more than a hundred years. And, it's just hard to get around those. So that's why experience is so important. And I really love the idea of your project to capture the history and the experiences and ask ourselves: "What can we learn from this lesson? Let's make sure we don't make these mistakes again, either individually as banks or as a nation from a public policy perspective."

Michael Cai: .... And this is one last question, 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 Gwaltney: That's a great question, I'm glad you asked it. I've seen a number of theories, and my personal experience, I hate to call it a theory because it's what I believe to be true: it's just old fashion greed. It's what it all comes down to. And policy makers in Washington D.C. made it possible through the design of mortgage products at Fannie Mae, Freddie Mac; members of Congress encouraging home ownership and encouraging the agencies, the GSEs [Government Sponsored Enterprises], to create the secondary market for these products. And then Wall Street securitizing the mortgages and reselling them and people trying to make a buck on that.

And then people wanting to buy more house than they could. And when an authority figure, like a mortgage lender or a banker, says you qualify, unfortunately, some people seed their personal responsibility and say: "Well if they said I can afford it, I must!" And they either know it deep in their heart, but they just said, "They say, I can afford it. I must be able to," or they just didn't know, and that's even worse. They just didn't know what they could afford. They were just waiting for someone else to tell them what they could afford. That's really sad. And so, I think all of these stars aligned of people wanting to live in the nicest house that they can afford. And then having a structure where an intermediary can make them that loan with a secondary market that will buy that loan and then a government saying: "We want this, y'all go and keep doing it."

And then the selective memory, when I was in Louisiana — I forgot to mention this — when I was in Louisiana, I was lobbying for GSE reform. The Congressman Richard Baker, who was on the House Financial Services Committee, he had drafted a GSE reform bill that was very thick, probably more than 500 pages, and Congressman Frank, Barney Frank, would not hear it, wouldn't have a hearing on it. It could have been because Richard Baker was a conservative Republican and Barney Frank was a Democrat and he didn't want to hear a Republican bill. Or, it was because he didn't want GSE reform. Either way, after the crisis, Congressman Frank did his very best to make himself look as good as he possibly could. That's human nature. That's what we do. So on one hand I fault him for it, but he's human and that's just natural to do. So, all of that is my theory of the crisis: it goes down to greed.

[END OF SESSION]