

AMERICAN PREDATORY LENDING AND THE GLOBAL FINANCIAL CRISIS

ORAL HISTORY PROJECT

Interview with

Jeffrey Dillman

Bass Connections

Duke University

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## PREFACE

The following Oral History is the result of a recorded interview with Jeffrey Dillman conducted by Kate Karstens on February 14, 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: Kate Karstens

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Kate Karstens: I'm Kate Karstens, an undergraduate student at the University of North Carolina at Chapel Hill and member of the Bass Connections team for American Predatory Lending and the Global Financial Crisis. It is Friday, February 14, 2020. I am at the office of Legal Aid of North Carolina in Durham, North Carolina, for an oral history interview with Jeffrey Dillman, who is currently the Project Administrator and Co-Director of the Fair Housing Project at Legal Aid of North Carolina. Jeffrey, thank you, for joining us today.

Jeffrey Dillman: Thank you.

Kate Karstens: I would like to start by establishing a few facts about your background and education. You received your bachelor's degree from UCLA in 1986. You then attended the UC Berkeley School of Law, from which you received your JD in 1989?

Jeffrey Dillman: Correct.

Kate Karstens: Thank you. When in your career did you first become involved with issues regarding residential mortgages?

Jeffrey Dillman: That really started in 2000 when I moved to Cleveland, Ohio. I was at the time working for a small nonprofit fair housing organization. I had done civil rights law for a number of years in Michigan and elsewhere in Ohio, but had never done work around housing discrimination or mortgage work, so I started that in 2000.

Kate Karstens: And what drew you to mortgage discrimination and housing discrimination work?

Jeffrey Dillman: Well, I guess, my legal career was always focused on civil rights and public interest law. So, I had done civil rights work on behalf of prisoners in Michigan and immigration work for refugees, and asylum work in Michigan as well. And I was looking for similar progressive types of work, civil rights work in Ohio, in Cleveland, when I moved there and there was fair housing work available and that's what sort of drew me to it. It is what the options were at the time.

Kate Karstens: Could you describe your role, responsibilities and any notable cases or achievements you achieved in that role?

Jeffrey Dillman: So, for the first two years, from 2000 to around 2002, I was a Staff Attorney at a fair housing organization in Cleveland. And so I handled housing discrimination cases, including some cases that were sort of more mortgage-related, predatory lending type cases. And then after that moved for three years as a faculty

member at Case Western Reserve University School of Law and helped teach in two different clinics, one of which focused on consumer work and in particular on mortgage lending work.

And then in 2006, I moved to become an Executive Director of a different fair housing organization in Cleveland that was called the Housing Research and Advocacy Center. And while I was there – we were a fair housing group so we focused on housing discrimination, but we also did a fair amount of research into mortgage lending patterns in Northeast Ohio as well as throughout the state of Ohio and some related issues around payday loans and things like that.

Kate Karstens: And shifting back to your time as a Staff Attorney, can you think of any really notable or landmark cases or issues that you worked on that you felt defined your time there?

Jeffrey Dillman: I wouldn't say it was any one particular case that did that. I mean – I think for me, at that time in Cleveland, there was sort of an accumulation of cases and situations that we were observing at the time. So, Cleveland and Northeast Ohio was hit very strongly by predatory lending; by what I would refer to as reverse redlining and other predatory practices by lenders and others. And it really devastated, the state as a whole, but in particular, northeast Ohio and Cleveland. It wasn't sort of one particular case that I would focus on, but an accumulation of things that were happening to the community so that eventually by the late 2000s the foreclosure rate was extremely high for a community of that size and really devastating a number of neighborhoods in the area.

Kate Karstens: Speaking more to that accumulation, could you characterize some of the key changes in the mortgage market in Ohio and perhaps nationally that you saw at the time?

Jeffrey Dillman: So, I mean, I didn't know it at the time, but I think the changes really started in the 90s where you had lending being done less by depository lenders and a growth of mortgage brokers and a growth of lenders that were not necessarily depository institutions. So they were mortgage companies that didn't necessarily have much assets and their goal was to sell or make as many loans as possible, but they didn't retain those loans on their balance sheet. They immediately would sell them, sometimes the day they made the loan it would be sold to investors or it would be securitized on Wall Street. And, so the lenders didn't really have an incentive or didn't really – it didn't matter to them whether the borrower had the ability to repay. They made their money as soon as the loan was originated. And they were often out of the picture then.

And the brokers similarly – as they became bigger and they weren't just the local employee of the bank or the savings & loan or the credit union – they didn't really have an incentive either because they were getting paid a commission on each loan they originated. The higher the loan, the higher the commission and they would get paid a yield spread premium. So, that

encouraged them to have borrowers refinance [their mortgage loan] and finance their credit card debt or some other debt or take out money to go on a trip. On the industry side, there were incentives to make larger and larger loans to have people refinance again and again, and no real care for what it was doing to communities. I mean, it became sort of unregulated capitalism to the extreme – people out for money, as much as they could get.

Initially I saw it affecting African-American communities in the Cleveland area. I remember actually – when I was teaching – we had one client who refinanced her loan three times in about a 14-month period and two of them were with the same lender. So, they just refinanced it and each time it got higher and higher. And this was someone with a fixed income, retired African-American woman – who had no ability to repay it as it was increasing. When she started – she had – I can't remember – if she had any debt or just very low debt, but by the end, she had a mortgage that she could not afford. By a lot of standards, around the country, it may not have been high. But for her, it was something that was completely unaffordable and that sort of epitomized the kind of thing that you saw going again and again.

Kate Karstens: And do you think it was more your perception that African American communities in Cleveland and northern Ohio were sort of bearing the brunt of these changes in the mortgage market? Or was this just the groups that you were interacting with or was this a national trend?

Jeffrey Dillman: I think there's a lot of research that it was national as a trend. I mean, we looked at lending data from the Home Mortgage Disclosure Act (HMDA), which requires lenders to disclose certain data. So, we would analyze HMDA data throughout Ohio. And we would often see that upper-income African Americans were denied more loans than low-income whites. So, it's not just against upper-income comparing them to upper-income whites, but someone, anyone of any race, who has upper-income should be denied generally fewer loans than a low-income individual. But it was not the case with African Americans.

When we compared the types of loans they were giving at the time, the only measure that you could really use under HMDA – that was publicly available – was whether it was a HOEPA, Home Ownership Equity Protection Act (HOEPA) [loan]. African Americans got more high cost loans and African Americans who were upper income would get more high cost loans than low-income whites. Again, something that you just should not be seeing. And that held true in Cleveland, whether you looked at the city, whether you looked at the county, whether you looked at the MSA<sup>1</sup>. And we also examined at the time, other metropolitan areas in Ohio and saw similar patterns. We weren't the only ones looking at this. I mean, there were groups around the country who were examining these patterns and finding the same types of racial disparities. So, I think it really was that African-American communities were targeted.

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<sup>1</sup> Metropolitan Statistical Area.

Eventually, in my opinion, it eventually spread to white communities, to the suburbs. But it started off being predominantly low income African-American communities that were targeted by this. And in fact there were some litigation, in Baltimore I believe it was, where a bank or a lender – I don't remember if it was a depository or not – but particularly targeted African-American communities and the brokers had racist terms that they would use for these borrowers that they would go in to try to make these loans to, to pitch these loans. They had no desire – they had no care about whether the loans were really going to be repaid.

And for a short time, for several years, that was sustainable because someone would refinance, like my client, who refinanced three times in 14 months. If you keep refinancing it, that wasn't a bad loan – right? So, someone looking at the data would say, “Oh yeah! See she could afford that. She refinanced and it was paid off and she'd be financed again, and it was paid off.” There's not a problem, but if each time you're wrapping more and more costs into that, even if it's just what the broker is getting paid and the closing costs and things like that, it's going to dig someone deeper and deeper into debt. And they're really not getting any benefit out of it. I mean, it's completely extracting money from individuals and communities by the industry.

Kate Karstens: So, to what extent did other individuals in the organizations you were with, both at Housing Advocacy and at Case Western Reserve University, [to] what extent did others in your organizations recognize or see those changes as they were happening?

Jeffrey Dillman: Well I think a lot of people on the ground saw what was happening. The problem in my mind was that that there wasn't a will by government to do anything about it. I guess I would take it back to the 1970s or '80s when deregulation started becoming a bigger and bigger idea. And, in the 1980s, Reagan famously talked about how big government is bad, right? We need smaller governments, that government regulation is something that's unhelpful. So, as the industry was deregulated through the '80s and '90s there wasn't anyone to stop any of these actions. I really view it as a failure of the government on a number of levels. But in terms of the industry, it's going to be primarily on the federal level and to a lesser extent on state level but a failure to regulate and to do anything about that. There's a variety of reasons why you could think about the causes of that. But I think it's a failure of regulation and the idea that government can't or shouldn't be involved in this, that we'll just let the market handle things, and the market did this right? I mean we got this huge bubble in real estate prices that eventually crashed. But if there had been greater regulation, it wouldn't have happened like that.

Kate Karstens: So, how do you see the 2006 Ohio Homebuyers Protection Act (HPA) fitting into that discussion on regulation?

Jeffrey Dillman: So, by the time that passed – I think the Act had some important provisions but by the time that passed, I was looking at it more as a researcher and not

litigating cases at that time. So, I didn't have any clients that were benefiting from any of that. As it got to the late 2000s though, there were coalition meetings, there were groups of nonprofits who are trying to address what we knew was coming and the increasing foreclosure crisis in Ohio and in particular, in Northeast Ohio. And, every year we would look at the data and the number of foreclosures had gone up and up and it got to be amazingly bad in Cleveland.

I mean, home prices, average home prices, if you look at the data, were just so low because houses were being abandoned and people were being foreclosed on. You know, there was tens of thousands of foreclosures, some years in [Cuyahoga County] it was over 10,000 for a period. Statewide, I think it approached 100,000. I haven't looked at the data recently but there were extremely high rates of foreclosures and that was leading to disruption of communities. There were whole neighborhoods in Cleveland that were changing and becoming depopulated. People were being kicked out, houses were being sold on eBay for ... under \$1,000 in Cleveland. And you think, "That's a house!" How can you sell a house on eBay? Someone's just going to buy it. And people would buy it thinking, "Oh, this is a great investment!" They're there in wherever state, they're in California, they buy a house for \$500 on eBay, not knowing that it's got code violations that they're going to be responsible for repairing those.

There are property taxes, but then they would have no incentive to repair it, to bring it up to code, to contribute to the community. So, it becomes abandoned and it becomes difficult for a state or a county or a city to then deal with that property that's owned by someone who really has no interest or investment in it. I mean, they may own it on paper, but other than that, there's nothing there. So, we were meeting, trying to figure out ways to address this and ways to help protect homeowners. And it was very challenging just because of the power of the forces on the other side. I mean the industry whether it was the big banks or the investment companies or the mortgage brokers or whomever it was, they have money, they have power, they have access and it's very hard for poor people, for people of color, for local communities to fight back against those types of forces.

Kate Karstens: So, speaking a little bit more on who those forces were, could you describe who you perceive to be the key stakeholders involved in the discussions about state and federal mortgage lending oversight?

Jeffrey Dillman: Stakeholders on which side?

Kate Karstens: Both. Yeah, both from the industry side, but also from the community members that you were interacting with.

Jeffrey Dillman: So, in Cleveland, there were a number of Community Development Corporations (CDCs) – some of them were very strong and very organized. Some were less so, but there were community CDCs. In the Cleveland area there was

nonprofit organizations in housing, there was legal services organizations. There were people from some local governments who were very concerned about it. The Cuyahoga County Treasurer, Rokakis, became very active in this. There was a housing court judge who was excellent on these issues. So, there were a number of people who were raising the alarm, trying to do something about this. Now at this time, Cleveland had an extremely high poverty rate. I believe it's for several years, the poverty rate in the city was over 30%. And you know, that was one of the highest rates in the country. The outer ring suburbs obviously were much wealthier, even the inner ring suburbs were for the most part wealthier. But there were huge disparities and those disparities often overlaid with race and you have all of the problems of racism and economics on top of that, that are making it more difficult to address these issues.

On the other side, it was industry and while there were some good local banks that would try to do something about this, a lot of the banks or other lenders, I don't want to say just banks, because there were savings & loans associations and ... probably the non-depository institutions that were worse than those. I mean, the way I viewed it was they didn't really care about the community at all. Yeah, I think that their concern was for their profits, whether they had shareholders or whether it was just their personal profits. I mean, you have brokers making \$100,000, \$150,000, \$200,000 a year just making loans that really should not have been made because the person had no ability to repay them. But the broker didn't care because they were getting their commission. The bank didn't care because they were getting all sorts of fees. And so it got made again and again, whether it was one person refinancing multiple times or whole communities or individuals spread out among communities making those kinds of loans.

Kate Karstens: And were you or your organizations engaged in any discussions with those industry groups or was it more so with community and government individuals?

Jeffrey Dillman: We, for the most part, I don't remember much in the way of discussions with industry on this. I mean, I'm sure I was involved in a meeting or two, but it wasn't a big part of what we were doing. We were working together with community groups and members of the community trying to address this. There were some very activist types of groups involved in Northeast Ohio. There was a group that one of their tactics was to gather up a bus load of people and to go to the home of a lender of a mortgage company with someone in a big shark suit. And the people on the bus would have thousands of little toy sharks and they would throw sharks and say, "Loan shark! Loan shark!" and basically try to embarrass this person among their neighbors, which I think is perfectly appropriate. They were devastating communities and I have no sympathy for that. So, there was some creative activism. The problem is, you're doing that in the face of someone or in an industry that has incredible wealth. While it can be very good theater and gets it on the news and does certain things to raise awareness, it takes a lot of sustained effort and organizing to challenge power



like that. And really the way I see it is, it's about changing power. And at that time, like now, power is not very evenly distributed in society.

Kate Karstens: And I know we did touch on a little bit of this earlier, but could you describe a little bit more in depth your perception of how the 2006 Ohio Homebuyers Protection Act affected predatory lending with mortgages, or did you feel as though it is too late, these communities are already finished?

Jeffrey Dillman: By that time, it's hard to say finished, but I understand the meanings of that, right? Because by that time the foreclosure rate was so high, the crash was still a year or two away, but communities have been devastated by them and the city of Cleveland and the neighboring cities, were desperately trying to figure out what do we do. At one point, I think the city of Cleveland had over 10,000 properties that it was on a list to be demolished because they were uninhabitable. And the city had decided that it's better to just get rid of them completely than to try to rehab them and sell them or rent them out to someone.

And so in my mind, while that act had some good provisions, it was 10 years too late or at least five years too late or six years too late. I guess I don't know enough and I haven't looked at data to see, did it have much of an effect? How much? How often was it raised? But, by that time, minority communities, African-American communities, there's smaller Latino communities there, had been really devastated by predatory lending. There were still loans being made like that. There were still lots of high-cost loans and other predatory loans being made but the act came a little bit late for most of the African-American communities. And even for some of the white, more suburban communities that were hit later in the crisis. At least my impression is that it didn't do a lot because of the timing of it.

Kate Karstens: And before the 2008 financial crisis, did you believe that there was a relationship between increasing access to affordable housing and imposing restrictions on the subprime mortgage market to reduce predatory lending?

Jeffrey Dillman: I don't quite follow your question.

Kate Karstens: The concern of ensuring that there is affordable housing access while balancing the concern that some subprime mortgage market lending can be predatory.

Jeffrey Dillman: I mean ... I think the problem with subprime lending is sort of an inherent problem in how it's structured, right? Because the idea of lending is that in traditional prime lending, ... the lender does an analysis of someone's income and assets to make sure they are going to be able to repay the loan. So, they're concerned about debt to income ratios and they are concerned about the value of the property, right? So, the loan to value because if the person does default, they want to make sure that they can recoup their investment so they don't want to lend more than 80%, say, traditionally. And then with subprime lending,

the idea is, okay, we're lending to someone who is more risky, right? Because their credit isn't as good, so then they are more likely to default.

So, what do you do with a subprime loan? You increase the interest rate. Well, what does that do? That increases the monthly payment. Or you give them a balloon. So you're giving someone who is going to have a harder time paying back the loan, a loan that's harder to pay back, right? You're almost making it more likely for them to default by the nature of the loan that you're giving them. And so there is a logic that [for a lender], we need to protect ourselves from this increased risk of this person who is in some ways a riskier borrower, but you're doing it in a way that's almost going to make it more likely for that default to happen. So, there is something very unfair about a loan like that, right? It's sort of like it's too expensive to be poor, right? Food costs are more in poor neighborhoods than in wealthier neighborhoods because you're going to the little bodega, the little shop, and it's not the big grocery store. So, you're paying more. Oftentimes things cost more when you're poor. Sometimes rents are higher in poor neighborhoods. And so the poor get screwed in so many ways in our society. And subprime lending is just one of those ways. Not all subprime lending is necessarily predatory, but a lot, a huge percentage of it was at that time period. At least what we were seeing in Ohio, and from my knowledge around the country, it was not unique in Ohio.

I think Ohio got hit early in the crisis. Ohio was unique in certain ways because there was never a big increase in real estate values like there was in the coasts or in Nevada or places like that. So, there was some unique things there. And housing wasn't unaffordable in the same way. A \$200,000 house in Cleveland – well, depending on where you were, that was an expensive house, right? – there are lots of houses that were selling for \$60-\$70,000. And then the ones during the crisis that were being foreclosed under a thousand on eBay. So, the unaffordability was a little bit different than it would have been in San Francisco or in Las Vegas or even in Durham, North Carolina, where housing prices never got that low. And that was partly due to the economy in Northeast Ohio, well, in Ohio in general, which was not growing. The population was not growing like it was in North Carolina or in some of the coasts, you know, the aging population. So you had a bunch of economic, structural features that led prices to stay lower for housing in Ohio. But the predatory nature of lending and the inherent contradiction in a subprime loan existed I think throughout the country.

Kate Karstens: Yeah. So, you've mentioned the frankly shocking eBay selling of homes. Were there any other really extreme measures that either people you were interacting with as a client or people you were seeing in the community were resorting to because they couldn't pay their mortgage?

Jeffrey Dillman: So, it wasn't usually ... well I guess, right now, I'm not thinking of any. But just to clarify, the eBay ads that you would see were not usually people. I mean it was a house that had either was in foreclosure or just gone through foreclosure. And there were a number of houses that were put up like that. And I haven't tried to Google it, but I'm sure you can find information about that if you wanted to look

at that. ... There was talk of what to do with certain areas of Cleveland, right? And ... shrinking the city basically, right? Because Cleveland in the 1950s had almost a million people. It was one of the largest cities in the country. And in the 2000s, it was half that size about. So, if you think about, okay, when the city was built out to house nearly a million people there were sewers, there were water lines, there was electric, there was all of these things.

And there was a tax base to support the maintenance of that. And as the population decreased, well what happens? How do you pay for the schools? How do you pay for the sewers when a sewer main breaks or a water main break or whatever? It becomes more and more expensive to maintain that. So, the question was sort of what do you do? Do you have urban agriculture? And, and that was something that was discussed and I think to some extent, in certain areas on a smaller scale was developed. [In] Cleveland actually there was some work around cooperatives to try to address poverty. This isn't directly related to, to the mortgage crisis, although in some ways it all is because it's about the economic situation of the region.

So, there was some good work around cooperative employment and like a laundry service that was set up to provide laundry services to a couple of hospitals. And there's the Cleveland Clinic, which is a very large employer in the region as well as University Hospitals, which is affiliated with Case Western Reserve University, to provide jobs for the people in the community. There was some work around trying to develop jobs, ... sustainable jobs and non-exploitative jobs for individuals. And to some extent, they succeeded. The problem is that the problem was so overwhelming, that the economic situation is ... you had a small victory in the face of a massive wave of exploitation. So, while it was good for the people that were doing that and it was hard work to achieve what they achieved, it didn't make up for the devastation that was caused by the wealthy forces.

Kate Karstens: Speaking more to the economic situation, I understand in your role at the Housing Research and Advocacy Center, one issue you also worked on was payday lending and other forms of lending in Ohio. How did you see those types of lending intersecting with mortgage lending?

Jeffrey Dillman: Well ... I wouldn't see them really as intersecting as much with mortgage lending. But more of what it was that a similar type of exploitation of people who are desperate, right? And so, predatory lending was preying on individuals who didn't have much options. In some of the way some people wound up in predatory loans was, they may have been a homeowner and even owned their house. They didn't have a mortgage on it and they needed to make some repairs. They needed a roof or they didn't need anything and someone walked down the street and came up to them and said, "Oh, I can give you a new roof!" You know, that roof, it looks like it needs to be repaired or replaced or fix something on their porch.

And they encourage this person to do that work and said, "I'll arrange a loan for you. You don't have to worry, I'll take care of it. It's not going to be a problem." So, someone got taken advantage of that way, by the person pushing the loan. And payday lending is similar, just preying on people who don't have many options. So, while the loans in a certain way sound inexpensive, in terms of how many dollars you're paying per a hundred that you're borrowing, it may not sound like a lot. When you look at the annual percentage rate (APR), it's in the hundreds of percent. I think it was 375% or something like that in Ohio was what was allowed by state law at the time. And it sets up a trap for individuals where they get their first loan and it's for two weeks. It's until their next paycheck and when that paycheck comes, they pay that loan off, but then they can't make their next, until the next paycheck. So, they have to get on another loan or, or maybe they even need the second loan to finish paying off the first one. They get in this revolving cycle of debt and wind up owing thousands of dollars sometimes on what was originally, a \$200 or \$300 loan.

It traps people into this cycle that they can't get out of. And, I would say, it's the same type of industry that doesn't really care about the consequences of what they're doing. They're just looking to make money. And, I've heard people in the industry say, "Well, we couldn't really operate if we only had APRs of 24%," or something that would be more reasonable. And that may be the case, but then maybe there shouldn't be that industry like that. Maybe we should figure out a different way to help people who are having a hard time making it, whether it's some other type of lending institution doing the lending. Maybe there's a problem with wages, that people can't afford to live on a what the minimum wage is. Or maybe there's not jobs for these folks. So, now with payday lending, actually it's usually someone has a job because it's tied to their paycheck. So, it's usually not that. But it tends to be people who have a very, very low income, often minimum wage or not much above that. But it's another type of extreme exploitation of poor people.

Kate Karstens: So, in your role today at Legal Aid and in North Carolina, how do you see the fallout and repercussions of the mortgage market collapse more regionally here in Durham and in the Triangle area?

Jeffrey Dillman: So, that's a hard question for me to answer. And partly because when I was in Ohio, I worked for nonprofits where we had a lot more autonomy in terms of the types of work we do. And so, at Legal Aid, because some of our funding comes from the federal government, we're limited in certain types of advocacy that we can undertake. We can represent individuals, but we can't do the same kinds of lobbying that I did in Northeast Ohio or in Ohio in general. So, we're not involved in that kind of advocacy work. Legal Aid does a lot of mortgage-related work. And we have a consumer team, although I'm not involved in that right now. That's something – Legal Aid is a statewide organization with hundreds of employees compared to when I was in Ohio, both organizations I worked for had under 10 employees each. The law school was different, but the nonprofits I worked for [were much smaller]. And [here at Legal Aid] it's other folks that are working mostly on the mortgage-related stuff.

Kate Karstens: So, in perhaps thinking back to people you were working with in Ohio, can you think of the repercussions that any of your clients maybe still face today? For example, someone who was foreclosed on, how has their life still been impacted by that?

Jeffrey Dillman: You know, I can't speak with any specificity to that because I think each person would experience things differently. I mean, if you can just think about someone who might have lived in a home for a number of years and often some of the people I represented had lived in their homes for decades and could potentially be losing that. It's going to have a big impact. And if you look at wealth in the country and compare it by race and national origin, and you see that whites have much higher rates of wealth or amounts of wealth than African Americans or than Latinos. And in terms of what happened after the crash, African-American wealth just plummeted. And there's a lot of research that has looked at this, and you see that in the United States, [housing is] one of the main ways that people obtain wealth.

First of all, there's inherited wealth, which is high. That tends to be skewed based on race. So the whites have much more inherited wealth than African Americans or Latinos. And then the other big source of wealth is home ownership. And for decades there was discrimination in home purchasing, in what properties would be sold to African Americans or Latinos, in terms of what banks would lend, ... or what insurance would be offered for homeowners. And that accumulated into great differences in wealth because of who's able to buy housing and who wasn't and who was renting. And then the mortgage crisis in the late 2000s just sort of amplified those disparities.

So, you have even a bigger difference. Some of the data on black wealth is just, it's horrifying how low it is. And it's based on discrimination to a large part – discrimination and exploitation. That is something that we're still living with. If you look at home ownership rates of whites versus African Americans or whites versus Latinos, you know, you still see big differences in that. Just as you see differences in income and wealth, even higher than that.

Kate Karstens: And over the last decade, we've seen a number of different narratives emerge to attempt to explain the financial crisis and the mortgage market collapse. But how do you understand the cause of the crisis?

Jeffrey Dillman: I think greed of industry is the biggest one. You know, there was and I'm sure there still are people who say, "Oh, it's the borrowers, it's their fault." They shouldn't, if they couldn't have paid for the loan, they shouldn't have taken it out. And anyone who's ever bought a house and tried to read through the stack of documents that they get and understand those, knows that it's a very difficult thing to do. I mean, [when] I bought my first house, I was already a lawyer and I was given a stack of 40 or 50 pages and I didn't fully understand it. And I signed away and I was graduated from law school. I had a bachelor's degree and

graduated from law school and had actually practiced law and it was very confusing for me.

If someone was trying to take advantage of me, and there was some term in there that was snuck in that maybe they didn't mention to me orally but was written in there in plain English, I wouldn't necessarily have known about that. And for people who blame the borrowers, I think that's ridiculous. They weren't the ones who were providing all of this money. They weren't the ones who were profiting from this. Certain people became very, very rich from this and it wasn't the people who took out predatory loans, who took out subprime loans. They lost a lot, sometimes everything. So, I think that it's completely wrong to blame the borrowers.

I think it was the industry and industry is sort of a broad term because there were a lot of different actors in that. There were mortgage brokers who had slightly different interests sometimes than the lenders. There were some good banks and savings & loans. There was a very good local lender in Northeast Ohio that tried to help people get out of predatory loans. I still have an account open with them right now, even though I haven't lived in Ohio for nine years. But I just support that savings & loan. I think they helped people. That's good. It wasn't everyone but as a whole the industry ... I think people were greedy, whether it was the banks or their investors or their mortgage companies or their mortgage brokers. And then there was a complete failure on the part of government to care and to do what they should be doing which is stopping unfair practices.

Kate Karstens: And how do you see your experience either in Ohio or here in North Carolina, adding to the understanding of what happened in the run up to the global financial crisis?

Jeffrey Dillman: I'm not sure what you're asking there.

Kate Karstens: No problem. How did your experiences working with clients who were going through either foreclosure or refinancing, how do you see that as adding to the picture of how the mortgage market was evolving before the crash?

Jeffrey Dillman: I mean, I guess in certain ways it reinforced what I thought, but it provided additional details, which is that our society has a lot of inequality and that certain people have a lot more wealth and power than others. And unfortunately, a lot of those people, too many of those people, are willing to use that to exploit others and to not really care about the effects of what they're doing. So, you know, however they rationalize it, that's something that I'm not as aware of, but it sort of reinforced the disparities in wealth and power that we have and the effects of that. And ... how to address it is a challenge because the problem is structural. It's not just one bad actor, one person doing something wrong.

There were institutional incentives that led people to act this way. The banks got bailed out from the crisis and homeowners didn't, right? Not many people

went to jail from the crisis. There was a lot of illegal activities that went on to do that. It devastated the world economy and it was just sort of like, and those people are back in power, right? So, the problems are pretty big and structural in my mind. And so the solutions that you need, likewise, have to be big and structural. While as a lawyer, I can represent an individual and try to help that person achieve justice in their individual case, you would need many, many more lawyers than what we have at our legal aid or any other similar organizations across the country to change that if you're looking at it sort of one person at a time. So, the problems, I guess, for me, when I think about it and my role is that ... structural problems require a structural solution and you need to engage in systemic change to do that. And so, sometimes that's through a legal strategy, sometimes that's through a public policy or an organizing strategy, sometimes that's through some other strategy. But the problems are much bigger in that regard.

Kate Karstens: And these structural problems. I know we discussed how the mortgage market in Ohio was different than Nevada and on the coast. So, do you see the responsibility of addressing these structural issues as something that lies with state policy makers or federal regulators?

Jeffrey Dillman: I mean both, but most regulation of lenders is at the federal level. So, there really needs to be, in my mind, federal regulation of lenders that's serious. Under the Community Reinvestment Act, banks and depositories are graded sort of on what they're doing for low- and moderate-income communities. And almost every lender passes with flying colors. And it's not that they're all doing a great job. It's that there's not really a serious evaluation being done of the lending and of what the lenders are doing. So, you do need to have it. And I think for the most part on a federal level, and at least from the '80s on, I can speak strongest about that because I was active in most of those times, you've had very little federal regulation of a lot of financial products including mortgage lending.

[END OF SESSION]