AMERICAN PREDATORY LENDING AND THE GLOBAL FINANCIAL CRISIS

ORAL HISTORY PROJECT

Interview with

Steven Antonakes

Bass Connections

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PREFACE

The following Oral History is the result of a recorded interview with Steven Antonakes conducted by Sean Nguyen on January 6, 2021. This interview is part of the Bass Connections American Predatory Lending and the Global Financial Crisis Project.

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

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Interviewee: Steven Antonakes
Interviewer: Sean Nguyen

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Sean Nguyen: I'm Sean Nguyen, an undergraduate student at the University of North Carolina at Chapel Hill and a member of the Bass Connections American Predatory Lending, and the Global Financial Crisis team. Today is Wednesday, January 6th, 2021, and I'm conducting an oral history interview via Zoom with Steve Antonakes, who is currently Executive Vice President and Director of Enterprise Risk Management at Eastern Bank. Thank you so much for joining us today, Mr. Antonakes.

Steven Antonakes: Thank you, Sean. It's great to be with you.

Sean Nguyen: I'd like to start by establishing a little bit about your background. I believe you grew up in New England, earned your B.A. from Penn State University in 1990, an MBA from Salem State University in 1993, and then a PhD in law and public policy from Northeastern University in 1998. Is that all correct?

Steven Antonakes: That's correct.

Sean Nguyen: And your first job after college in the early 1990s was as a Bank Examiner with the Massachusetts Division of Banks. Could you tell us a little bit about how you arrived at this job and what responsibilities [it] entail[ed]?

Steven Antonakes: Sure. So I considered myself very lucky. I had just graduated from Penn State two weeks prior and began work as an entry-level bank examiner at the tail end of what was known as the S&L [Savings & Loans] Crisis. It was the crisis before the one we're going to speak to today. The mandate in Massachusetts at that time had changed from examining banks every two years to every year. So in essence, they had to double the examination force overnight. I was one of 75 examiners hired in 1990 and my specific responsibilities were to examine banks and credit unions for compliance with the Massachusetts Community Reinvestment Act (CRA) or anti-redlining legislation specific to the state. And that's how I began my career.

Sean Nguyen: How much of your time as a bank examiner, would you say you spent investigating issues related to residential mortgage markets?

Steven Antonakes: Quite a bit. I was only a bank examiner for about 18 months, so it was a relatively short-lived stay. However, shortly after I began, I was thrust into examining what became known at least locally as the second mortgage scam in Boston. And what was happening was at the time unlicensed mortgage companies and home improvement contractors were targeting homeowners in Boston's majority-minority neighborhoods, in particular homeowners with equity, but poor credit. These companies would attempt to entice the homeowners to take up high-cost home improvement loans, or second mortgages with the promise of significantly improving the value of their homes. Often the improvements were shoddy or not completed. But the ultimate goal of these companies [was] to foreclose on the property and seize the equity. Ultimately the investigation led to the licensing of non-bank lenders and brokers in 1992. So I would not say I exclusively focused on mortgage as part of my CRA examinations, but it was a majority of the time.

Sean Nguyen: Could you just describe a little bit about how exactly your work intersected with the Community Reinvestment Act?

Steven Antonakes: Specifically, I would be assigned to banks or credit unions and conduct exams onsite to determine the extent to which these banks were lending throughout their communities, the communities from which they were taking deposits, ensuring they were making products and services available in geographies of all income and ensure that they also were compliant with anti-redlining provisions, looking for compliance with [the] Equal Credit Opportunity Act, Home Mortgage Disclosure Act, things of that nature. Then that would culminate in a report of examination with a rating. Ratings later became public. At this point, they were still confidential and portions of the exam [later] became public as well as a further incentive to ensure banks were complying with the Act.

Sean Nguyen: You had spoken to the scam that you just mentioned. In situations like that, how did that process play out from start to finish? How did your office become aware of these issues happening? If you could just walk us through that....

Steven Antonakes: Sure. I was not in the leadership at the time. I was pretty low on the totem pole, so, I'm not entirely sure how they became aware. Although I think the [*Boston*] *Globe* had been covering quite a bit and doing some investigative reporting. And then I was sent into a bank to look to see if they had ties to these non-bank mortgage companies, home improvement contractors. [I] really wasn't sure what I was looking at initially until I just started randomly pulling loan files for companies that I thought might be in the lending business and then reviewing those loan files. [I] started to find evidence of the mortgage fraud, the purposeful targeting of homeowners, things of that nature.

Sean Nguyen: And for regulators at the Massachusetts Division of Banks, was bank supervision separate from non-bank regulation?

Steven Antonakes: Non-bank supervision back then was really in its infancy in many respects, right? We had some non-banks that we supervised at the time – the money transmitters, small loan companies, debt collectors – but the mortgage lenders and brokers didn't really become examined until later, until that 1992 era. But it was largely segregated. We had one group purposely charged with examining banks for safety and soundness. The second group [was] examining credit unions for safety and soundness. The group I was in was exclusively CRA and fair lending for banks and credit unions. And then we had another group that would review the non-bank entities under our purview for both their financial safety and soundness, as well as consumer protection regulations and statutes.

Sean Nguyen: ….[T]he mid-1990s, were a period of consolidation for banks in the United States. What did this consolidation look like in practice in Massachusetts? And then what did it mean for consumers in Massachusetts?

Steven Antonakes: So that's a great question. And certainly a lot of folks have pointed to a lot of issues that led to the consolidation, right? To me it was really [the Riegle–Neal Interstate Banking and Branching Efficiency Act of 1994] that really opened the door for broader consolidation of the industry. So ultimately it results in less choice for consumers. Albeit there's still to this day a significant number of community banks and credit unions, albeit far less than there was at the time. What I think [has] really happened probably with more of a pronounced impact on consumers has been this real consolidation at the top of the house with the four largest banks in the country controlling a significant portion of the market share. But you also saw the entry of new players. And really the growing prominence of non-bank companies, non-bank mortgage companies and so forth. Some benefit to consumers but some negative impact as well for sure.

Sean Nguyen: And what actions did regulators within the Massachusetts Division of Banks take to address this consolidation?

Steven Antonakes: I don't think there was much we could do at a local level to prevent the consolidation from occurring. There were laws that allowed it to happen. There were deposit caps for the largest banks. … We had a Bank Holding Company Act in the state which allowed us to review mergers of national banks that we wouldn't normally supervise so there was ways of having some degree of oversight, but it was minimal, in all frankness. And even locally in Massachusetts, we had four large banks, all nationally chartered banks that consolidated into one during this period of the late '90s into the early 2000s. And then even that large surviving bank was immediately acquired by Bank of America. So there was fairly pronounced change locally within the marketplace.

Sean Nguyen: ... Could you describe for us from your perspective, what role federal preemption played in the consolidation of banks and how it affected your work?

Steven Antonakes: I'm not sure it played as large a role in the consolidation as it did for some of the practices that ultimately probably get to the meat of what we want to talk about today. There [were] very aggressive preemption stances taken specifically in the early 2000s. A lot of states were trying to deal with some abuses that were occurring, whether it be in the mortgage market or other areas. And those efforts were thwarted really for the benefit of a few of the larger players in the country. … At least personally, I wouldn't tie [federal preemption] as much to consolidation as I would to the impact [of] abuses for consumers later on.

Sean Nguyen: … You had several positions at the Massachusetts Division of Banks before becoming the Commissioner of Banks in 2003. What stands out to you as some of the most important regulatory actions the Division of Banks took between late 1990s and the early 2000s to address predatory lending in the state before the state legislature enacted any predatory lending legislation?

Steven Antonakes: So it's a great question. [What was] significant for us was on taking that responsibility of licensing and examining non-bank mortgage lenders and brokers and setting standards for those companies. We issued guidance probably as early as the late '90s on I guess what I would refer to today as more traditional subprime lending. Loans that actually if executed correctly provided an opportunity for borrowers with less than pristine credit to actually get a mortgage with a manageable increase in pricing to compensate the lender's risk, but a loan that wasn't designed to fail at the end of the day. So there was work there. …There were certainly companies that engaged – one-offs [companies] that engaged in abusive practices that we had to deal with as well. And then certainly we started seeing a lot of abuse in the refinance market and focused in that space.

So ultimately, right about the time I became Commissioner, the legislature enacted a predatory lending law that was partially patterned after the Georgia and North Carolina laws and provided fairly substantial rulemaking authority for the Division [of Banks]. So right out of the [box], we were drafting rules to implement that law. One of the more interesting provisions was – it was a mandated borrower's best interest in order for a borrower to refinance a loan. They had to be able to demonstrate, the lender had to demonstrate, it was in the borrower's best interest to really try to get at the root of some of these issues we saw with serial refinances in which a lender was collecting fees, but the borrower was really no better off at the end of the day. Those were a number of the actions. I'm sure there are others that we were focused on in the mid-'90s up until the early-2000s.

Sean Nguyen: You referred to the Georgia and North Carolina fair lending law just a moment ago. Could you share a little bit more about … to what extent did those other laws influence the legislation that was passed in Massachusetts and then what that potential collaboration looked like?

Steven Antonakes: … I know you spoke with Chairman John Quinn, who was the [House} chair of the financial services committee at the time in Massachusetts, and really took a leadership role in terms of crafting the predatory lending law. They were very influential. They were some of the few states that had crafted laws in this space. Massachusetts regards itself, historically, as being progressive in the space. A number of consumer protections originated in Massachusetts. So I do think there was heavy borrowing on those laws in crafting ultimately our legislation in that 2004 era.

Sean Nguyen: What were the other most significant pieces of state level legislation that affected the Massachusetts mortgage market in the early-2000s? And then how did they impact the Division of Banks oversight authority?

Steven Antonakes: … I think that was it in essence in terms of [the] predatory lending law, the licensing law. A challenge for us always, and for a lot of state agencies, was funding and staffing. We had a ballooning number of non-bank companies under our jurisdiction, but a fairly finite number of examiners that we could deploy to examine both banks, credit unions, as well as these non-bank entities. But, regardless, the lending laws were established, the predatory lending law was established and that was the general means by which companies had to conduct themselves.

Sean Nguyen: What role did the Massachusetts Division of Banks play in crafting or shepherding that lending law that you just referred to or [additional] ones in coming years?

Steven Antonakes: Well, we were involved certainly in the 2004 – and forgive me, I believe it was the 2004 law. And as I noted, we had the rulemaking requirements. The statute isn't nearly as long as the regulations, as in most cases. So the statute gave us broad authority to write rules, which we did in that period of time. But my only regret about the predatory lending law is it focused on the refinance market, and while those were necessary and important protections, the reality is by the time we were done drafting those regulations, abuses had really shifted to the purchase money market. I would say there were a number of factors that led to changes in the mortgage market during that period of time. Certainly as a result of the 9/11 attacks, we experienced this prolonged, historically low interest rates.

This led to a significant increase in housing values and a desire on Wall Street and for others to look for greater opportunities for returns. You noted already the increased competition between the large money center banks, growing number of non-bank mortgage companies, and really the development and proliferation of I guess what I would refer to as exotic mortgage products and the ability to sell these in the secondary market, and then reinvest the proceeds in additional originations that helped kind of fuel this frenzy that we were seeing. And there was this new paradigm in the housing market in which people started believing that housing values would never decline again, as dubious as that sounds now. That was a common held belief and that buying a home was the gateway to financial well-being. Stated income loans, also known as liar loans, NINJA loans - no income no job verification [NINJA] loans, adjustable rate mortgages with low teaser rates, allowing borrowers to buy homes they couldn't have otherwise afforded under the pretense that the borrower could refinance that loan once the value increased and well before the rate reset. There was a growing sense that if consumers didn't buy in now, they'd never have the opportunity. So as a result, I would say, many high-risk niche products amazingly became the favorite products for first time home buyers. And it was a recipe for disaster in many respects.

We started growing concerned in 2006. We started to see foreclosure rates for the first time start to inch up. We did some things that I thought and continue to think were fairly unique at the time. We held the first regulator organized mortgage summit in 2006, in which we tried to bring together state and federal policy makers, consumer advocates, housing advocates, industry representatives, to focus on how we could work together to decrease the foreclosures that we thought were coming. … The work of this group ultimately led to foreclosure prevention legislation that was filed by Governor Patrick and signed into law. A number of interesting provisions in that law that we really worked on – created a mandatory 90 day right to cure, legislated the licensing of loan originators working for mortgage brokers or mortgage companies. And then the fees that we gathered from licensing the loan originators was dedicated to funding foreclosure prevention centers across the Commonwealth. It extended the state's CRA law to non-bank mortgage companies, mandated the filing of foreclosure notices with our office, the creation of a foreclosure database. And then we also included a behavioral economics provision in which … a home buyer would have to opt out of [a fixed rate] mortgage. And if they opted out, there was mandatory independent counseling before they took an adjustable rate mortgage versus a preferred fixed rate mortgage as well.

There was a lot going on from a legislative perspective, efforts that we led. From a regulatory perspective, we did a lot as well. We started a program whereby any borrower could call our office requesting a 90-day stay on a foreclosure proceeding. We would then contact the mortgage company to execute that stay. And the goal was … to really create additional time for the borrower and the mortgage holder to get together to try to work towards a modification or something short of that foreclosure requirement. We substantially increased the net worth requirements for licensed mortgage lenders and brokers in Massachusetts. … It was a pretty low barrier to entry historically and that battle was fought when the companies were licensed in ’92. We took opportunity here to substantially increase that net worth to really ensure there was more skin in the game for these companies in many respects.

And then for a time in 2006, I suspended all of our bank and credit union exams. I took all the examiners that were focused on anything else and redirected our entire exam force into its supervising non-bank lenders and brokers, looking specifically for mortgage fraud. At this point we ended the practice of scheduling exams in advance. We did all surprise exams and we would seal files and I had my examiners dress accordingly because I asked them to dumpster dive in some occasions doing whatever was necessary to look for evidence of mortgage fraud. And when we found it, we issued cease and desist orders, essentially shuttering companies. We issued referrals to the Attorney General's office. And frankly it [mortgage fraud] wasn't hard to find in many instances. We determined evidence of falsified verifications of employment, falsified verifications of deposit, whited out applications, applications submitted to a bank's automated underwriting system 10, 12 times a day until the income was just right to allow the loan to proceed. So those were some of the activities, I would say from a regulatory perspective, and how we shaped the legislative response in Massachusetts as well.

Sean Nguyen: You mentioned, Mr. Antonakes, the mortgage summit held in November of 2006. Obviously, you just outlined the really significant legislation that came from it, but could you talk a little bit about the significance of it in general, as a national mortgage regulators summit? And the impact that that had, conversing with your colleagues and the difference that that made?

Steven Antonakes: It was Massachusetts-focused. So that was my jurisdiction. And those were the areas that we were trying to address. Did it get attention nationally? I don't know. I mean, I presume it did by some folks. We also had a great network at the time of very thoughtful state regulators, who I was speaking to on a regular basis. I had very close ties to all the New England state regulators, the New York state regulator, Steve Kaplan, David Bleicken in Pennsylvania, Felicia Rotellini in Arizona, Joe Smith, Mark Pearce in North Carolina. And there were a handful of us who were very consumer protection oriented, and we shared best practices and were working together, I think to address issues in our particular states, but also think about how at least we could improve coordination among the states.

Now, of course, on the state side, we only controlled the sliver of the mortgage market. A lot of it was controlled by the federal bank regulators, but there were actions we were trying to take as well. Joe Smith and I, as well as others, Gavin Gee in Idaho, John Allison in Mississippi were leading the effort to create the Nationwide Mortgage Licensing System. Kind of a universal portal, so that way you could prevent a bad actor from jumping from state to state, allow for better information sharing between the states, common licensing standards across the board, also better coordinating supervision. Some of these companies were really large and really difficult for a small state to supervise. So how you could kind of coordinate exams through multiple jurisdictions, leverage resources, and have a stronger stick at the end of the day, if one of these companies was engaged in bad acts. So we had a number of enforcement actions that were coordinated with 10, 20, 30, 40, even 50 states in some circumstances as well.

Sean Nguyen: You just mentioned the enforcement actions that Massachusetts Division of Banks would pursue. Could you describe a little bit more about the other multi-state investigations and enforcements? What did this process typically look like? And then typically what did it look like for your office and for other states' offices as well?

Steven Antonakes: There were a couple flavors, I would say. There were those that were done exclusively by the state bank regulators, and then there were some that were done exclusively by the state AGs [Attorneys General] and then a number that were done in collaboration. And again, there were a number of Attorney General's offices certainly locally in Massachusetts, Iowa as well that were very active in these cases and provided real leadership. They weren't easy. Because you got 50 different jurisdictions that have to agree, different states that have different capabilities and the ability to kind of apply resources to these types of agreements. So they took longer than an action that I would have taken by myself, but they were often more impactful. So that was the trade-off that was worth it. But just given resource constraints, it was hard to do more than a handful of these large actions a year. So we tried in cases where we thought, certainly, it was most important and most impactful.

Sean Nguyen: Is there any case in particular that you can think of that best exemplifies the process [and] the considerations that you just described…?

Steven Antonakes: AmeriQuest, for one. We took a local action there that preceded the national action, but that was certainly one. There were others. There were a number of them, I'd have to refresh my memory a little bit for some, but there were a number of big ones in which some of these organizations were engaged in systemic bad practices.

Sean Nguyen: And going back to the earlier topic of conversation, under your tenure as the Commissioner of Banks in Massachusetts. Could you describe your interactions with federal banking, supervisory and regulatory agencies? And what did that interplay look like?

Steven Antonakes: I was the first state voting member for the FFIEC, the Federal Financial Institutions Examination Council, the coordinating body of the federal agencies and the state agencies. I had pretty regular interactions with the FDIC [Federal Deposit Insurance Corporation], the Federal Reserve, OCC [Office of the Comptroller of the Currency], OTS [Office of Thrift Supervision], and NCUA [National Credit Union Administration] leaderships. Let me just back up for a moment. My primary jurisdiction in Massachusetts on the bank side and the credit union side were state-chartered banks, state-chartered credit unions, so chartered by the Commonwealth, but insured on the bank side by the FDIC or insured on the credit union side by the NCUA. As a result of that we shared supervisory jurisdiction for those banks and credit unions primarily with the FDIC and the NCUA, to a lesser extent the Federal Reserve, depending upon whether or not a bank was a Fed [Federal Reserve] member. We didn't have many Fed member banks in Massachusetts. So we had very close working relationships for years that well predated me with the FDIC and the NCUA, and those relationships were excellent – shared resources, training resources, coordinated on supervisory actions, exams. The relationship there, I would always characterize as very strong.

The relationship with the OTS and the OCC was a little more difficult. We did not share oversight of any company. We didn't kind of have that common bond or relationship. And I would say we had philosophical differences in terms of how companies should be supervised and the purview of state laws and things of that nature. And of course at that time both agencies were being pretty aggressive in terms of preemption. And I would characterize some of their oversight as more laissez faire and more … more supportive of some of the institutions they supervise rather than the consumers. Federal Reserve, [we] had less direct interaction with the leadership in Washington, more with the

Boston folks. But there was a fair degree of, I guess, frustration on the state level, not only for the preemption efforts, but there was this non-traditional mortgage guidance, which languished at the federal agencies for almost a year that could have stopped some of these practices dead in their tracks.

And my promise to the federal agencies was if you issued this guidance for the national banks, I will bring the states along to make sure that it's issued for all of the non-bank companies and we could've covered the universe that way. Of course, the Fed could have written rules in this space as well. They chose not to but those were some of the frustrations we were feeling at the [time]. And they were real because it always felt like no matter what we did at the local level, we could have some impact. But absent collaboration and cooperation with the federal counterparts, we weren't going to have the full impact that we wanted to.

Sean Nguyen: …That leads us very well into our next discussion today, which is [about] your tenure at the Consumer Financial Protection Bureau [CFPB]. So the first question I have for you is how do you think your experience at the state level prepared you for your roles and responsibilities at the Consumer Financial Protection Bureau?

Steven Antonakes: Very well, very well. It's similar work, just at a national level. Supervision is all about judgment at the end of the day. And one of the hardest things about being a regulator, whether it be state or federal is they have the audacity to take … the glass away from the punchbowl at the height of the party. I took the lessons from the local level. I viewed myself as fortunate because Massachusetts, unlike a lot of state bank regulatory agencies, had a broad consumer mandate, CRA [Community Reinvestment Act] mandate, as well as financial safety and soundness. So [I] brought all of that with me, as well as the bank regulatory experience, credit union regulatory experience, and non-bank regulatory experience to the Bureau.

And, of course, the Bureau has this enormous jurisdiction [over] banks, credit unions, and non-banks, as well. [I] had a lot of experience and practice, as we've talked about earlier, collaborating with other state bank agencies, state AGs, federal agencies, all of which was really essential, for us at the Bureau. I was there very early. I was one of the first, non-federal detailees, one of the first external hires for the agency. And my supervision team at the time was about seven, eight people that [were] all borrowed from other agencies. And we had to build a 500-person strong examination force. And a lot of that was done through connections that we had made through the years, other colleagues on the state side, federal side, whatever the case may be. So, that experience was crucial. What I gained by going to the federal government and the CFPB in this instance that I really regretted not having at the state side was resources. Technology and that federal rulemaking apparatus to ensure that you could protect consumers throughout the country, regardless of whether they did business with a state chartered bank, a nationally chartered bank, a non-bank mortgage company. And so that was something that was really enticing about working for the CFPB in those early days.

Sean Nguyen: And I know from your record, you held several positions at the CFPB between 2010 and 2015. How would you describe your roles there? And [are there] any that are most significant or policy priorities that are most significant that come to mind that you think are very helpful to understanding the 2008 financial crisis?

Steven Antonakes: Yeah, it was a fascinating place to work and work with some brilliant and dedicated colleagues. It was a pure raw startup with the energy almost of a political campaign in terms of those early days. … We started with pencils and paper and that was it. At one point I was interviewing 125 people a week for jobs and just doing ridiculous things, writing exam manuals, procedures, policies, trying to learn about the companies that we were going to take on. So my initial role at the Bureau was to, with colleagues, help create the Large Bank Examination Program [for] banks greater than $10 billion in assets. I was later asked by Director Cordray to assume responsibility for the supervision program, not just for banks, but non-banks as well as our enforcement and fair lending activities.

And then ultimately I served as the Deputy Director for the agency, but maintaining those supervision enforcement and fair lending responsibilities. So there was a great deal that we were trying to accomplish in those early days – broad rulemakings that were mandated by Dodd-Frank [the Dodd-Frank Wall Street Reform and Consumer Protection Act], educating the industry in terms of how we were going to be conducting ourselves, taking meetings with consumer advocates and others to help influence the way we're going to conduct our exams, our enforcement activities, our rulemaking priorities, and really just trying to first and foremost build the organization. And create that culture within the organization and how we wanted to conduct ourselves. And of course, we had to coordinate with a myriad of other bodies. We shared jurisdiction with these other federal agencies, and needed to, I would say repair ties in some respects with the OCC, the Federal Reserve, the FDIC, some of which were smarting from the authority they lost as a result of Dodd-Frank that was consolidated within the CFPB.

It was difficult in those early days. There were some – I don't know – some hurt feelings on both sides that you had to try to overcome. Some states that welcomed our presence, some states that weren't thrilled by it, and you had to kind of work through those issues as well. I think trying to be humble in the space, trying to listen to everyone but also ensuring that we were doing the job we needed to do to protect consumers and this incredible mandate that we had….. I had worked for 20 years at the Division of Banks. It was my first job out of college, kept working there through grad school, became the Commissioner, which is something that I had never thought would be an opportunity that I'd be blessed to have.

When I became commissioner in 2003, I remember thinking, well, you've just decided that someday you're going to leave the agency because you can't be the commissioner for 30 years. It just doesn't work that way. But it never occurred to me, how or what that would look like. And when the Bureau came along, after Dodd-Frank was signed, [the] Treasury called and asked. I didn't even have to go interview, I knew I was going to go because it was just a once in a lifetime opportunity, that's how I viewed it, to help create and shape this new agency with this incredible mission born from the, in the wake of the Financial Crisis. It was the opportunity of a lifetime. And, it was five incredibly hard but great years.

Sean Nguyen: .... Now I'm going to move to our concluding questions that we ask everybody. My first concluding question is: is there anything we've discussed today, either about your work with [the] Massachusetts Division of Banks or the CFPB that you think is particularly important to understanding the run up to the 2008 financial crisis that we have not yet discussed today?

Steven Antonakes: No, I think we've covered it.

Sean Nguyen: …[O]ver the last decade, we've seen a number of different narratives emerge to explain the Financial Crisis. How do you understand what caused the Crisis?

Steven Antonakes: Sean, I would fall back to what I described before. There was not one singular cause. There was a myriad of issues that came about – again, prolonged low interest rates, creating rising values, this real desire to increase yields for a number of companies and so forth, the sense that you had to get in now, the values were never going to decrease, a lot of mistakes, a lot of misjudgments, and again, this unfortunate proliferation of mortgages that were designed to fail ultimately. Those mortgages were the gasoline and someone just had to kind of light the match ultimately … My concern is that, history is quickly forgotten and prone to repeat itself. And if you look back, let's not even go back to the creation of the Federal Reserve and the FDIC, let's just look back to the 1980s. We've seen a number of cycles of deregulation, crisis, and then corrective legislation.

We saw it with the deregulation of the '80s. The S&L [Savings and Loan] crisis, FDICIA [Federal Deposit Insurance Corporation Improvement Act of 1991], FIRREA [Financial Institutions Reform, Recovery, and Enforcement Act of 1989]. We see it again in the '90s, GLBA [Gramm-Leach-Bliley Act], so forth and [the] Financial Crisis, Dodd-Frank, and now we've seen the pendulum start to shift in the other direction again. Again, I think the hardest thing to do as a regulator is to both try to ensure a competitive landscape for the banks and financial institutions under your jurisdiction. But also remember that first and foremost, you're there to protect the consumers of [the] country. And that might be a tight line to walk sometimes, especially during these eras of disruption in the financial services [industry] and so forth.

But, things can unravel quickly and ensuring that you have that strong oversight program, the temerity to take strong actions when they're mandated, I think is incredibly important. There were a number of things that led to the financial crisis, a number of reasons for why, I think either the initial causes weren't recognized quickly enough or that folks, policymakers, in some cases were slow to react to it. That's regrettable. I'm hoping that, if the situation presents itself that actions can be taken before a crisis ensues.

Sean Nguyen: This last question we have for you may be a bit redundant given all the information you just shared, but looking back on the crisis over a decade later, what do you see as the most important lessons for mortgage originators and state level policymakers?

Steven Antonakes: Well for mortgage originators – I don't like to pick on any singular person in the supply line because everyone had some responsibility at the end of the day. Certainly from the brokers to the lenders, to the people creating the products, to those who were selling it in the secondary market and the rating agencies – they were all culpable at the end of the day. But first lesson is a simple one, right? If it's too good to be true, it is. I remember going to speak at a mortgage conference. I think it was about 2005, 2006, and granted I was a career public servant, but I get to the parking lot and I was like, holy cow. Every one of these cars cost 10 times what mine does. Something's not right. I think we might have a problem here. People were making an incredible amount of money, and a lot of borrowers were taken advantage of – some should've known better as well – and try to take advantage of a situation which they thought they could get in. And they made a misjudgment in terms of their ability to refinance the loan, whatever the case might be. So a longer term view in terms of what is viable and trying to avoid shortcuts just for the sake of making money -- that might be too pie in the sky because that's a lesson that seems to repeat itself in financial services and perhaps any other business since the beginning of man.

For policymakers, the importance of real-time data to really understand what's happening. And again, I think the hardest thing is to act even when everyone's screaming at you that you shouldn't -- that everything is great, and you're going to kill the market, whatever the case may be, but if you really believe there's risk there, to mitigate it appropriately.

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

Steven Antonakes: Thank you, Sean. It's a pleasure.

[END OF SESSION]