AMERICAN PREDATORY LENDING AND THE GLOBAL FINANCIAL CRISIS

ORAL HISTORY PROJECT

Interview with

Johnnie Larrie – Part 1

Bass Connections

Duke University

2020

PREFACE

The following Oral History is the result of a recorded interview with Johnnie Larrie conducted by Andrew O'Shaughnessy on August 7, 2020. This interview is part of the Bass Connections American Predatory Lending and the Global Financial Crisis Project.

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

Transcriber: Sherry Zhang
Interviewee: Johnnie Larrie
Interviewer: Andrew O'Shaughnessy

Session: 1
Location: By Zoom
Date: 8/7/20

Andrew O'Shaughnessy: My name is Andrew O'Shaughnessy. I am a J.D. candidate at the Duke University School of Law. I'm also a Research Assistant for the Global Financial Markets Center's American Predatory Lending Project. It is Friday, August 7th, 2020. I am speaking remotely with Johnnie Larrie to conduct an oral history interview. [Dr.] Larrie, thank you for joining me today.

Johnnie Larrie: You are most welcome. Thank you for having me.

Andrew O'Shaughnessy: …. I'd like to start by establishing a little bit about your background. I understand you got your B.A. from Canisius College in Buffalo[, New York], and then your J.D. from the Boston University School of Law. Where is home originally and what led you to North Carolina?

Johnnie Larrie: Well, home is Atlantic City, New Jersey. And I came to North Carolina through rather a circuitous route, but I'm here because my sister was stationed at Fort Bragg [through her] Army military career. I was in my last year of law school and I had never been south of DC. My sister invited me to come and see her in Fayetteville, North Carolina. This was in December of 1993. And I was at the Logan Airport in Boston and could not get on the plane because they were de-icing the wings, they were de-icing the runway. It took a moment, but we finally got on the plane. I landed in North Carolina in Greensboro [and] got off the plane [and] I had my coat in my hand. And when I got off the plane, I saw people walking around in shorts and I just could not conceptualize it. And I said to my sister, "These people are walking around in shorts in December!" and she simply said, "It's warm enough, isn't it?" And I thought after growing up in New Jersey and shoveling up from under so much snow, going to school in Buffalo and shoveling up from under so much snow, and the same thing in Boston, that it was time for me to make my trek to North Carolina and establish myself here. So I came in 1994 after I graduated from law school. I've never looked back.

Andrew O'Shaughnessy: Once you made the move to North Carolina, when and how did you first become involved in issues related to residential mortgage lending?

Johnnie Larrie: That is a very lengthy story, but if I can just go back to growing up in Atlantic City. First of all, I have a large family: five brothers, two sisters. And my mother had ailments that simply prevented her from retaining a job, so she could get the jobs but simply could not retain the jobs. Nevertheless, she insisted on educational excellence. And while she did not demand the same from my siblings and I equally, she was a firm believer in “to whom much is given, much is required.” I think I can say sincerely that my mother believed much was given to me, so much was required. We were poor. And I mean very poor. If you can imagine for a moment, my dad was around, but he was not in the house. And again, my mother was not able to hold onto a job. So we were beholden to the system, so to speak.

And when I was coming up in Atlantic City, what is very hard for younger people to conceptualize is the idea of Atlantic City pre-casino. I was a kid then, and Atlantic City was not a tough place. It was rather beautiful. Sort of like Wilmington. And again, this was before the casinos came to the Jersey Shore, but I think that what I saw then in some ways shaped my thoughts about what I now know to be community economic development. Displacement represents a terrible blight on poor communities, including communities of color. And this is the case whether you are talking about displacement because a person could not make the mortgage payment and therefore lost the home through foreclosure, or a person was simply uprooted by public policies that found it easy to simply pluck people from their homesteads.

This is what happened in Atlantic City. It's very easy to disenfranchise the already disenfranchised, if that makes any sense. The thinking was, and likely is still, that — how can I say this – people don't deserve to have anything because they don't have anything. And that would be the thinking of those on the outside who sit in places of privilege, where they cast misinformed, disparaging judgments on people with whom they do not share cultural lenses. So the game plan had been laid by those far more politically powerful than the average citizens in Atlantic City. As far as I could tell at the time of Atlantic City's transformation from that quaint beach place into a casino city, the communities had been basically ripped from their moorings. Communities of people were simply dispersed, and then came the casinos.

And with those casinos [came] the high rises, the townhomes, the condominiums. They dotted communities that once belonged to poor people, but lots of blight remained because that was part of the trifecta: Come in stealth, take what you believe is most valuable, and leave the rest behind. You have casinos on the Bay, but most casinos sit along that eight mile stretch of the boardwalk that housed Atlantic City, Ventnor, Margate City, and Longport City. And I know I'm probably talking a little bit beyond your experiences, but those casinos only ran along the parts of the boardwalk in Atlantic City, not the other three cities. And I can only stop momentarily to wonder if that was because those latter communities were less poor and more white. The power to decide living arrangements are made most often by those who can hold the pen and therefore the community narrative.

So that's my experience. And I would say collective experiences, because those are the experiences of my relatives who also came up in Atlantic City. Again, at the time, I would not have understood it as being [community economic development], but it was. That's exactly what it was. It's the development and re-development, gentrification and re-gentrification of communities that end up displacing people for any number of reasons.

So that's my background. I'm coming from that position of poverty, coming from that position of displacement in a city that looks very different from that in which I grew up. And I think that those dynamics informed who I am today, or at least helped inform who I am today.

Andrew O'Shaughnessy: …. At what point did you decide that you were going to have a career in community development yourself?

Johnnie Larrie: Well, long after I left Atlantic City. I can say that even in high school, decisions about what career choices would be available to me were not made by me. I had a chemistry teacher in 11th grade who thought, "You could be a brilliant engineering student." And so I was sent to a summer engineering program at Rutgers University as a rising senior and did end up going to school for engineering. And I tell people that and they think, "Hmm, that's interesting." But sometimes you fall into educational settings that are not of your own choosing, and only when you gain exposure to what is available to you can you make different decisions about what you want to become and how you want to become that person, if that makes any sense. It's not on my resume, but I actually started off at Manhattanville College in Purchase, New York. And I was in a five-year program with Clarkson, which is an engineering school…. I was in a five-year engineering program where I would do three years at Manhattanville and then transfer to Clarkson for the remaining two years to complete the engineering program.

But while I was at Manhattanville, I was required to choose a second and a third area of study. And my second area of study was political science. And so I have to juxtapose these two pieces. I'm sitting in a lab – thermodynamics, physics, whatever – all day long, and then I'm in a classroom setting that's very dynamic because folks are talking about politics and policies and how these different dynamics shape outcomes for people. And so it was at that point that I realized, "I am in the wrong field of study, and I'm likely at the wrong college."

So I left, and that's how I ended up at Canisius in Buffalo, where I took up pre-law. I was thinking about how I happened upon pre-law, and I don't think that I necessarily chose that purposely. I think what I was really after was the tools that I could capture for myself to shape policy that affected people who grew up like I grew up. That's what I was really after. But my professors at Canisius, in listening to me talk about what I wanted to do and how I wanted to do it, said, "That sounds like law school." Because if you come out of undergrad with a degree in public policy or political science, what do you do with that? So I ended up getting a partial scholarship while I was at Canisius, the Raichle pre-law scholarship, and that put me on the track to becoming a lawyer. I was there.

Andrew O'Shaughnessy: Heading into law school, did you have a sense of how you were going to apply the degree?

Johnnie Larrie: While I was in law school, I thought that I would stay on the public policy track. I thought that I would work for government. I knew at the time that I did not want to be a politician. I knew I wanted to be the person behind the scenes, informing politicians, so to speak. And that's because while I was in law school, I was in the Legislative Law Clinic and ended up becoming the Editor-in-Chief of that clinic. And that was where I understood that the politicians do not write the legislation. I mean, it just became crystal clear. *We* were writing the legislation. So, again, I said, "Okay. I need to research, and I need to write, and I need to inform, and I need to influence public policy, namely social welfare policy." That was my interest.

Andrew O'Shaughnessy: What was the next step after the law school?

Johnnie Larrie: After law school, once I came to North Carolina – and I shared that story with you earlier – I decided at that point that I wanted to be linked into state government. And there are those who would say, "Johnnie, you just simply loved being in school," but either way, I thought the best way to do that was to go back and get a Master's in Public Administration. So I found myself at NC State [University], getting a master's degree in public admin[istration]. I wanted to understand, — okay, so I'm at Canisius [studying] public policy, political science. That's groundwork. Now I'm in law school, okay. Politicians don't necessarily formulate research, write laws. They have other people doing those types of things for them.

By the time I got to North Carolina, I realized that I did not have the best grip on how government worked in Southern settings, if that makes any sense. So I thought that getting my degree in public administration would help me gain that insight, that understanding, and give me the needed connections to move through a local, state, or county government as I chose. Now, what I ended up doing after I received my master's in public administration [was that] I ended up working for Andrea Harris at the [North Carolina Institute of Minority Economic Development].

She was a stalwart in all things [relating to] [community economic development]. She cared about the core issues that plague poor and middle-class communities of color. And her focus was on four primary things: housing retention, business growth, access to substantive healthcare, and access to educational opportunities. Because she believed that those four things would shape prospects and outcomes for communities of color and for people coming out of and living in those communities.

And it was an interesting time to work for Ms. Harris because that was around the time Hurricane Floyd occurred. And Ms. Harris said to me, one day, "Let's get in the car and let's drive to Princeville." Now, I don't know how much you know about Hurricane Floyd, but it devastated places sitting east of I-95 like Rocky Mount, Greenville, Tarboro, and Princeville. By all reports, these places were simply uprooted, just completely devastated. But post the hurricane, that's when Ms. Harris said, "Let's get in the car and let's visit Princeville." And Princeville sits on the edge of Edgecombe County. Now, Ms. Harris was interested in Princeville for its historical significance. The Black Princeville post the Civil War. That was a place that was established by freed slaves. And it sat at the bottom of Tarboro. And I don't know how much you know about the relationship between Tarboro and Princeville, but Black people lived in Princeville. White people lived in Tarboro, Black people worked in the houses of folks who lived in Tarboro, if that makes any sense.

So we traveled to Princeville. And during that time, we were documenting and recording and advocating for relief monies to be poured into these communities that were devastated by Hurricane Floyd. And the reason I start with Hurricane Floyd is because community economic development initiatives, monetarily, all those types of things are always born out of disaster.

So when we got to Princeville, we turned down a street and there was a big, red, two-story house sitting in the middle of the street as if somebody had picked it up and just put it there. Now, I've experienced hurricanes before in New Jersey, but the most I recall is the boardwalks or casino windows being ripped up. I've never in my life seen the type of devastation that I've seen here in North Carolina post hurricane disasters. And so when I said to Ms. Harris that the house was sitting in the middle of the street, she said, “Yes, that's what hurricanes do in these parts of North Carolina. They simply uproot.” And so that was my first experience with a surface type of home loss: “I cannot live in my house because my house is displaced. And so therefore I am displaced.”

And while Hurricane Floyd recovery efforts were taking place, I was searching, still, for the best way to influence community economic development processes. I wasn't sure how I wanted to do that. But, in the meantime, I did data collection, I did research, [and] I completed policy papers on those four issues that I noted previously. And I stayed with Ms. Harris for about a year. And then I moved to the [North Carolina Community Development Initiative], where I continued to do [community economic development] work. And I was not there long. I moved from the Initiative—

Andrew O’Shaughnessy: I'm sorry, just for the recording, could you explain what the Initiative was?

Johnnie Larrie: The Initiative was a sister organization of the Institute. And what the Initiative did was to provide technical support to community development corporations. Community development corporations are these grassroots, nonprofit organizations that sit in communities. And they provide a variety of services. They provide assistance with foreclosure issues. These are not attorneys, but they worked with distressed homeowners who are facing foreclosure to obtain loan modifications and other types of loss mitigation. They provide childcare services, they provide workforce training. So all these different things that people living in distress communities would need. These are the grassroots organizations that are on the ground. They sort of grew out of the work that community action agencies did back in the seventies, the eighties. So the Initiative provided technical support and funding to those CDCs [community development corporations] across North Carolina.

When I was with the Initiative, my focus was on developing educational programs that could be placed in schools like Shaw University, St. Augustine's, UNC Carolina. We met with some folks at UNC Carolina to talk about putting in place [community economic development] programs, because you look across the country, to this day, and that is not a focus. That is a training area. Most people don't go to colleges or universities to get a degree in [community economic development] work. That's what we were trying to do, to develop those programs, to grow human capital who could then [be dispersed] into these communities and help initiate programs that would help sustain and grow these communities.

Andrew O'Shaughnessy: You said you were there for about a year?

Johnnie Larrie: I was there for about a year and I started working with the Community Reinvestment Association of North Carolina. It was called CRANC. It's now called Reinvestment Partners. And during that time I continued doing [community economic development] work, but I also began representing homeowners facing mortgage foreclosure. You have to understand that a lot of this was coming out of Hurricane Floyd, because people were displaced not only in terms of their homes, but in terms of jobs; places of employment were destroyed also in the context of that hurricane.

Andrew O'Shaughnessy: And this was around when, chronologically?

Johnnie Larrie: [September of] 1999.

That was when I saw that the foreclosure work could be meshed with the [community economic development] work. And that was also when I was introduced to Legal Aid. At that time, Governor Hunt had established the Hurricane Floyd Recovery Act of 1999 in part to help families struggling to recover in Floyd's aftermath. And then in 2001, I believe, Governor Easley carried this effort forward and announced his economic plan for addressing the fallout from Hurricane Floyd. So money began to flow towards this effort and there were grassroots nonprofit agencies on the ground ready and willing to aid in that effort. And that would include CRANC. And that would include Legal Aid. So at the time, CRANC got money to train attorneys in the field doing disaster recovery work with respect to keeping people in their homes.

And so I put together a proposal and I went to the Legal Aid offices — Legal Aid is a statewide agency, but it has local offices that are situated across North Carolina's geography. There are twenty to twenty-four offices. I think there were twenty-four at the time that I was making the pitch. But the pitch was to the offices that serviced the eastern counties, because that was where Hurricane Floyd wreaked havoc. And there were only two offices that said, “Yes, we want you to come and train our attorneys in foreclosure…, defending against foreclosures that were taking place in the shadow of predatory lending practices.” And one office was located in New Bern, and that office serviced twelve counties down east, and then the other office was in Wilson. And that office serviced six counties. So there were a total of eighteen counties.

After being invited to train Legal Aid attorneys down east to represent homeowners facing foreclosure, I left CRANC. And I worked primarily with those two Legal Aid offices that had at the time, again, serviced collectively [at least ten] counties. Because at least half of those counties, if not more, were dealing with Hurricane Floyd fallout.

Andrew O’Shaughnessy: Could you describe a little bit about that fallout? So, folks are suffering from hurricane damage, presumably from job loss, how did the types of loans they have complicate their abilities to retain housing? How did you work with them? What did it look like to do your job on the ground during that time?

Johnnie Larrie: This work was evolutionary. I did not come to Legal Aid understanding fully what was taking place in the sub-prime lending and servicing world. That is because it was mostly under the radar. It just flew under the radar. I learned about this work because when people started losing their homes in the aftermath of Hurricane Floyd, they were pouring into these legal services offices. They were pouring into the community development corporations’ offices, the CDCs.

I will tell you about my first experience, this first case, working with Legal Aid. I am in a satellite office in one of the Legal Aid offices, down east, and an elderly African-American gentleman came in the door. I can remember vividly his gait and how long it took him to get from that door to the desk, because it was nothing short of fascinating. He walked very slowly; he was disabled. He had a crumpled-up piece of paper in his hand. And he had a cane. He was walking on a cane in the other hand, and he was by himself. And I was standing – there was a paralegal who worked for Legal Aid. And again, I think we were just stunned. And he got up to the counter, and he put the piece of paper down on the counter, and he looked at me and he said, “They trying to take my house.” I will never forget that.

Then I picked up the piece of paper, and I opened it up and it was the front page of a deed of trust. That's it. He didn't have anything else. That front page of his deed of trust. Fast forward, I ended up meeting this man's daughter in a… Food Lion parking lot, because she had gathered together her dad's paperwork. She came up to my car and she had a box of paperwork. She handed me the box of paperwork, and she said, “Ms. Larrie, if my parents lose their home, it will kill them.” And she said, “I'm not saying that to mean anything other than it will literally kill them.” That was the image of that first case.

I took that paperwork and got it copied and started sorting through the paperwork, looking at the TILA [Truth in Lending Act] statement, looking at the [HUD-1 Settlement Statement], looking at all these — the closing documents. Nothing was signed, by the way, but this was the paperwork that the daughter brought me. And what I saw in the paperwork was evidence of a predatory loan. Exorbitant fees, exorbitant interest rate, exorbitant APR. And so I took all of this paperwork together and I thought to myself, looking at this gentleman's income – there was no way. It was overwhelming out the gate. He could not even afford the first mortgage payment based on his income. It [raises] the question: how did he get in this loan? And so when we got this gentleman and his wife into the office for an in-depth interview, that was when we started hearing the horror stories.

Here's the first horror story. That this man who couldn't read — he could not read. [He signed his name with] X's. There were X’s. I asked his wife, “Why does he sign his name with X’s?” And she said, “Ms. Larrie, my husband made it to the third grade. And then he was plucked out of school to work in the cotton fields because his family needed the money. So he cannot read. And so he signs his name with X’s.” So of course you can imagine warning bells. If you can't read this paperwork that is not signed, how was all this communicated to you?

It had not been communicated to them. And not only had the material terms of the loan and the consequences of signing off on that loan not been communicated to this couple, they informed me that there was not an attorney involved in the closing, that they were instructed by the mortgage brokers to sign the paperwork — they didn't know that these were mortgage brokers, but we learned it afterwards. That the mortgage brokers instructed them to meet them at a Texaco gas station on Highway 70 outside of Goldsboro. And they did. And it was there that the clients signed off on the paperwork on the trunk of the mortgage brokers' car.

So you hear the stories about how people got in over their heads — they bought too much house, they took on more than they could rightly handle — but I have hundreds of stories like [the one] I just told you. If you thought that you had time to hear more, I could tell you more. What I am saying is that these people and these communities were targeted to take on loans that they could ill afford. And just by force, these loans would precipitate foreclosure.

It's just that Hurricane Floyd brought the stuff to the surface. Would it have come to the surface at some point? Certainly, just as sure as Lehman Brothers and Bear Stearns saw the collapse of the Bear Stearns funds and Lehman Brothers — it would have happened. It's just that these clients, these poor people, were on the periphery. They were the canaries in the mineshaft for what was sure to come ten years later. Many of these loans were originated in the late nineties. Ten years later, you have a serious collapse. Only now, the middle class is affected also. I think we could have avoided all of this. And I said to my predecessor, Hazel Mack, "This is the tip of the iceberg. This is the tip of the iceberg." But when you holler in the wind, who's going to hear you? And so this is what we saw in the late nineties.

Andrew O'Shaughnessy: I'm sorry to interrupt, Dr. Larrie. Can you remember, was this loan a refinancing or a first purchase?

Johnnie Larrie: It was a refi[nancing]. And I will tell you, just based on my experiences reviewing hundreds of loan closing paperwork brought to us by our clients, most of these people who got the loans in the late nineties were the victims of flipping. And you could put the [loan] paperwork and you could say, "Okay, here's the loan you got in '97. Now here's the loan you got in '98. Here's the loan you got in '99." And you're looking at these series of flips. No evidence that across those series of flips that there was any financial benefit that inured to the borrower. Why would you do that to yourself? It doesn't make any sense that you would do that. But here you are in a situation where, particularly for older people, the equity has been sucked out of your home through these series of flips, with no apparent benefit to you.

Andrew O’Shaughnessy: Starting from the late 1990s through the next ten years or so, were the types of actors who were soliciting these loans — did that change over time? Or was it mostly these fly-by-night brokers who would meet folks at Texaco stations and the like?

Johnnie Larrie: It was mostly the brokers. But I will tell you when that paper was transferred immediately to the face lender, these lenders knew what was going on. A lot of these loans were simply table funded. You, [the] broker, help generate that loan, you originate it, and then – immediately upon signing by the borrower – that loan is transferred, and the broker is paid off.

Andrew O’Shaughnessy: Is that what you mean by table funded?

Johnnie Larrie: That is exactly what I mean by table funded. It is a table funded loan. It is not a loan in the true sense that you could walk into BB&T and get a home loan and BB&T [would] hold onto that loan, or even go to Chase and get a home loan and Chase hold onto it for three, four or five years. This table funding activity was allowed to thrive because brokers could not afford to hold these loans. They had to let them go so they could turn around and make more loans. And this is what epitomized the type of predatory lending for our clients.

It's interesting how those in the field benefiting from these loans liked to call them “creative financing.” And by that, we take it to mean: just creative enough to fall under federal regulatory requirements and just creatively enticing enough to garner the sale, securitized bundling, and further purchase of these loans on the secondary mortgage market. This is an elaborate scheme that is borne on the backs of poor people.

Andrew O’Shaughnessy: Dr. Larrie, I just looked up to see that it's already noon. … Would you be interested in continuing the interview, either now or [at] another time?

Johnnie Larrie: Do you want to hear the story? If you let me tell it, I'm going to tell the story, Andrew, because nobody is telling it. You hit it when you said it at the outset. So you pulled me in then, because I thought, “I am so tired of hearing how this all started with the 2007, 2008 housing crash.” It did not. In fact, it didn't even start in 1997, because had there not been redlining, some of these people would not have even been in these predicaments. But when you can't get loans that you qualify for at the outset and you are living in communities that are puppeteered by institutional creditors that make decisions about whether or not you get a loan, [then] that starts the cycle. That's from the forties and the fifties; that's housing policy. We've had clients who come in and they've got these creative predatory loans and they have good credit and we don't understand – like, “Why are you even in this loan?” This is what was offered to them. All of this is purposeful, and if you want me to come back and we can talk about this, or if you feel like I'm just kind of going on, stop me.

Andrew O’Shaughnessy: No, not at all. … I will let you get back to your afternoon schedule and I will send you a calendar invitation for Monday….

Johnnie Larrie: Yeah, it sounds good, Andrew, thank you so much. And you have a great weekend.

Andrew O’Shaughnessy: You too. Take care.

[END OF SESSION 1]