# AMERICAN PREDATORY LENDING AND THE GLOBAL FINANCIAL CRISIS

## ORAL HISTORY PROJECT

Interview with

Johnnie Larrie – Part 2

Bass Connections

Duke University

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# PREFACE

The following Oral History is the result of a recorded interview with Johnnie Larrie conducted by Andrew O'Shaughnessy on August 10, 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: Andrew O'Shaughnessy

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Andrew O'Shaughnessy: Johnnie, last time we talked about a few different things, including the first gentleman you worked with on a predatory loan. And we started talking about that case and I'm just curious, how did it turn out? And, in particular, what, legally speaking, did you try and do to keep him and his wife in their home?

Johnnie Larrie: First of all, I'm happy to report that our clients did not lose their home in that scenario. And we did sue both the broker and the mortgage servicer. I believe we also sued the entity that purchased the loan after it was originated. So I believe there were three in that lawsuit. But what we had to do to get there, because the clients were in such dire straits, was we had to put them in a Chapter 13 bankruptcy.

I will say that consumer bankruptcy is a cornerstone of our advocacy work because it forces everyone… to figure out what we can eliminate and how to do that. And then for the remaining debt – mainly secured debts, like the mortgage – how do we reorganize it in a way that is affordable for the client, for the debtor? And oftentimes in that context, we use litigation to knock off aspects of the debt. What we ended up doing in that case [was that] we filed Chapter 13 bankruptcy, and we filed what is called an AP, an Adversary Proceeding. And we sued those entities that I mentioned previously in that context.

Andrew O'Shaughnessy: Do you think joining all of those parties was essential to getting relief? Given your experience as an advocate, I'm curious which players you felt were chiefly responsible and allowed you to reach an outcome that you were looking for.

Johnnie Larrie: I have to start with the mortgage brokers, because they solicit. That was their primary role back in the predatory lending heyday. They sought people out. These particular clients did not go knocking, if that makes any sense. They were sought out. And they're sought out on the basis of their vulnerabilities. And the only way the mortgage broker gets to prevail is if it is already linked in with the entity – the mortgage creditor – that is going to pay to fund that loan. Because, again, the mortgage broker cannot afford to hang on to the loans once they're paid. So the broker… is in between the homeowner and the mortgage servicer, the table funder.

…[I]t was really the facts of the case that drove that particular strategy, because some of the behaviors that the mortgage broker engaged in were absolutely egregious. Again, the notion of having homeowners who are elderly, are ill, who are unsophisticated, one of whom could not read. The whole notion of having them meet you at a Texaco gas station on Highway 70 speaks volumes. And while the mortgage servicers may not come into face-to-face contact with a lot of these homeowners, particularly back in the mid to late nineties, the mortgage brokers did. They came to these people's homes. They sat at the table, they ate food prepared by a lot of these homeowners as they worked to engender that level of trust that was essential in getting these homeowners to trust them, in getting these homeowners to basically follow through with making these types of deals.

…. [T]he whole notion of trust is different for these clients and was different for the mortgage brokers, because what they relied on was the appearance of a fiduciary duty. I mean trust in that sense. So much so that a homeowner would not take the paperwork to his daughter or an attorney. A homeowner would not care to read the paperwork because that homeowner trusted those mortgage brokers. They believed that those mortgage brokers were working in their best interest. And so that's why the whole notion of trust was important to being able to seal the deal.

Andrew O'Shaughnessy: [W]hat did you customarily have to show [in bankruptcy court] in order to discharge or restructure that mortgage debt?

Johnnie Larrie: That gets a little bit complicated because, even without an adversarial proceeding, you have two things that can go on in a Chapter 13 bankruptcy. One, we can file bankruptcy on behalf of a client who might not have any claims whatsoever. You just need an opportunity to catch up on your mortgage arrears — you have the income to do it. So what we do is propose what is called a bankruptcy plan, where we are saying to the bankruptcy trustee and to the judge, "Yes, the mortgage [is] behind, but the homeowner has financial space to catch up." And in a Chapter 13 bankruptcy, you are given up to sixty months to catch up. In that context, you can also look at the loan history or look at what the creditor submits to demonstrate that it's owed money. It's called the proof of claim. And you can look at that proof of claim and you can make a determination as to whether or not you agree with what the mortgage creditor is saying is owed. And you can object to that. So you can object to a proof of claim. You've got five years — minimum three years (thirty-six months), but maximum five

years to get your arrears caught up in the context of that bankruptcy.

Now, if there are legal issues that pertain to the bankruptcy estate, … at that point, your house is a part of the bankruptcy estate, [so they] are relevant. And when I say relevant, I mean in the sense that there's something we can do here so that we don't lose the opportunity to litigate claims in light of statute of limitations issues and things like that. So you have to make a decision as to whether or not there was enough in the facts to allow you to bring a claim against this mortgage creditor who is now made creditor in the bankruptcy.[1]

But the other reason you might want to bring a claim is because, in so doing, you are in a position… to reduce the amount of debt that is owed. And that's where we work with these clients. We believed that we had to do more than object to a proof of claim, because there were legal issues that were so egregious that we believed [that] we would prevail on the basis of the claims that we alleged, that we would prevail on the basis of unfair trade practices, where we could get up to treble damages. So filing that [adversary proceeding] is another tool that we don't use all the time, but we use in the context of debt reduction in a bankruptcy.

And again, it was an absolutely critical tool in the context of those [cases] coming out of Hurricane Floyd back in the late nineties and the early 2000s, because there was just rampant abuse by mortgage creditors. It was more than abuse. It was outright illegal.

… [F]or example, I know that in that particular case, we alleged violations of the Truth in Lending Act because material disclosures had not been made as required under TILA. We alleged violations on the HOEPA [Home Ownership and Equity

[1] Dr. Larrie later elaborated via email: "By the time our clients got to us, many of their predatory loans were 'dated,' although the harm done to the homeowner because of the loans persisted. Because our clients came to us on the backs of disasters – like Hurricane Floyd – oftentimes legal claims had statute of limitations issues because the law may give you only so many years within which to allege a claim against an offending mortgage creditor or mortgage broker. The bankruptcy courts represented excellent forums within which to bring these claims because you were allowed to raise claims in 'recoupment' or in setoff to the existing claim of the mortgage creditor, and because generally, these homeowners were defending against an ongoing foreclosure action initiated in state court. Once the bankruptcy is filed – because the homeowner's house is a part of the bankruptcy estate – any claims that could be alleged against the mortgage creditor or the mortgage servicer had to be brought in the context of that bankruptcy – else the claims were lost. But the facts and supporting legal issues raised in each homeowner's case dictated whether we used the 'space' afforded us in bankruptcy to challenge the debt alleged owed by the mortgage servicer initiating the foreclosure action."

Protection Act] because we believed that was a high cost loan and that there are certain prohibitions against high cost loans.

I'll mention this also: when we file claims in state court, if we file claims that include federal claims, normally we get dragged into federal court. We get removed. And federal court outside of bankruptcy court has not always been favorable for us and our causes, for consumer causes. So the whole notion of being able to file a bankruptcy, well guess what, we're already in federal court. So where are you dragging us? We're going to stay right here. We're going to use this forum to cause you, mortgage creditor, to pause. We're going to use this forum to duke out how much is owed in the context of a proof of claim and an AP, an adversary proceeding, if the factual circumstances so dictate….

Andrew O'Shaughnessy: …. I'm curious how the issues you were seeing evolved over the next ten years or so, if at all. How did things change over time? Were there new types of bad actors? Were there new products you were seeing folks come in? Were there different kinds of clients? Or was it much the same?

Johnnie Larrie: Well, you always have intervening factors and preceding factors, but usually there are just a number, myriad factors that play into our client crises. I started with Hurricane Floyd. I would say today, we've actually come full circle. We began [with] Hurricane Floyd, all of the predatory lending loan origination [and] servicing practices that surfaced in the context of that natural disaster.

And I'm not sure if the predatory behaviors would have surfaced as quickly without the advent of that particular hurricane because – keep in mind, the housing market crash ushered in by the collapsing of Bear Stearns hedge funds and Lehman Brothers did not happen until 2007. There [was] almost like a ten-year lag between what was going on with our clients and then what we eventually understood about mortgage loans when we had that crash. So our clients, they were saddled with loans that would surely break their financial backs and the ensuing mortgage loan defaults and foreclosures eventually broke the backs of key players in the financial industry, too.

And all of this happened in an environment of lax regulations and really a purposeful inattention to policies…. Purposeful because policymakers, politicians, they — I mean, the poor are always with us, you know, they're there, what their circumstances are, even if you're at that fifty-thousand-foot perch. The purposeful inattention to policies addressing the

concerns of poor people living in low-wealth communities [feeds predatory lending]. So you've got lax reg[ulation]s, you have no protection for consumers, much less for poor people. And those two things came together. And I think that they ushered in the type of predation, the type that you saw in the credit world that put our clients where they were.

And so we were in the trenches, so to speak, just duking it out as best we could in the context of the hurricane. Many of our clients were affected by the hurricane. We were dealing with different layers of issues. But to the extent that we could provide relief for our clients who were in those predatory loans, that was mostly done in the context of, again, the federal protections that were out there, like TILA, HOEPA, the Real Estate Settlement Procedures Act, [laws against] unfair debt collection. And then of course there were state laws that buttressed our advocacy. But that's where we were. It's a lot of litigation, even if done in the context of a bankruptcy.

But then came the bailouts for the credit industry and housing relief for distressed homeowners. So we turned a corner when that happened. The housing relief programs established under the U.S. Treasury's Troubled Asset Relief Program ushered in assistance to the credit industry, but it also exposed a different set of issues that we had to take into consideration, namely incredibly abusive mortgage servicing practices. Major credit industry players received all types of financial relief under TARP and supporting incentives under HAMP [Home Affordable Modification Program]. I don't know how familiar you are with the Making Homes Affordable Program that President Obama put in place in 2008, but between President Bush with the TARP program and then President Obama with the HAMP program, you had direct financial relief for mortgage creditors, but also a process put in place to provide distressed homeowners with some relief. And yet many of the mortgage servicers simply refused to modify their policies – their practices, procedures, whatever – to accommodate the needs of distressed homeowners. They walked away with billions and many homeowners ended up losing their homes or [were left] in worse financial circumstances with their homes, despite these relief programs.

In that context, we found ourselves looking at and negotiating and litigating over servicing practices engaged in the shadows of TARP and HAMP. So our attitude was this: … you are required to engage in loss mitigation. This is for the mortgage servicers: You don't get to engage [in] shoddy loan modification practices that cause distressed homeowners to submit and resubmit

completed loan mod[ification] packages to their own peril over and over again. You don't get to tell distressed homeowners [that] you are reviewing their applications for loan modification while you continue to move forward with the foreclosure. And yes, there have been homeowners who have received loan mod[ification] approvals *post* losing their homes in a foreclosure because that foreclosure was never stayed. This is absolutely incredible. You don't get to tack on fees and charges that should have been eliminated in the context of a loan mod[ification] that included principal reduction along with the elimination of other fees. If you're required to engage in principal reduction, if you're required to eliminate fees, you can't come back and tack those on. You don't get to tell a homeowner, “you are being denied a loan modification” without written explanation. And certainly you don't get to tell a homeowner, “you are being denied a loan modification” when the client remains entitled to the same.

I mean, these were the new issues we were seeing. And in some ways they eclipsed the predatory lending issues because by then the mortgage brokers were mostly gone. Their agencies were defunct and many of the creditors in bed with these brokers were gone themselves. Now, I'm not saying predatory lending ended. I'm saying simply that we had an eclipsing problem, so to speak, such that those in predatory loans were looking for a way out via housing relief programs at both the state and the federal level.

So the housing crash issues married up… with increasingly dire employment concerns in North Carolina. And that led in part to housing relief at the state level that was sponsored by the federal government as well as by the [North Carolina] General Assembly. So you may be familiar with the federal Hardest Hit Funds Program. That was a program that provided some level of monetary housing relief to folks who fit a certain set of criteria. For example, [criteria included,] if you lost your job through no fault of your own – and there were other criteria too – [you might qualify for housing relief]. but that Hardest Hit Funds Program was something that the federal government sponsored. It was facilitated through the North Carolina Housing Finance Agency. Then its predecessor was the Home Protection Program. That was designed and administered at the state level. If you recall, out west – Concord [and] going out [further west] – a lot of factories closed and moved overseas. Thousands of people lost their jobs. And so that program was an effort to prop up people so they could stay in their homes. So you have all these relief programs that are flooding in for both predators and homeowners….

So my point in mentioning TARP [Troubled Asset Relief Program], which was the bailout for the credit institutions, and HAMP and Hardest Hit Funds and the Home Protection Program, was because these programs afforded a different type of housing relief that caused us to change our strategy away from litigation to negotiations and mediation, through this notion of loss mitigation.

So the other thing that these housing relief programs allowed us to do is to develop a more direct defense, a foreclosure strategy. And that was because North Carolina is… unique in the sense that it has a statute that allows for the power of sale foreclosures. In other words, the mortgage creditor is not filing a complaint. Sometimes they do, but in most instances, because Chapter 45 of the North Carolina General Statute governs the way most foreclosures occur, most mortgage servicers resort to that statute to initiate foreclosure. And that foreclosure is initiated because of the relationship between the mortgagee and the mortgagor via the deed of trust. Under Chapter 45, particularly 45-21.16, the statute requires that foreclosure proceedings be paused if the clerk finds evidence that the mortgage delinquency can be resolved short of a foreclosure.

So we call that "the 16C argument." We use it in the context of mortgage relief because the fact that this mortgage relief is out here – whether we're talking about obtaining a loan modification for the client, or going through any of these other housing relief programs that I mentioned previously – these are opportunities to resolve the mortgage delinquency without foreclosure.

Now, my caveat is this. The Hardest Hit Funds program ended December 31st of 2019, and the Home Protection Program ended before that. And of course HAMP ended. And so we don't have those programs anymore, but when we moved from direct litigation using the federal statutes that were available to us and state statutes — [when] we moved from that to sitting down at the table with the mortgage servicers to negotiate the resolution of the delinquency — it was in the context of all this housing relief that was available to distressed homeowners. And so mediation, negotiations, they became key to our efforts to keep distressed homeowners from losing their homes.

Andrew O'Shaughnessy: … Were you initiating court proceedings in order to try and get the clerk to find evidence that there were solutions short of foreclosure? And if so, if that was the mechanism, how receptive were courts to finding that?

Johnnie Larrie: In a non-judicial foreclosure under Chapter 45, a foreclosure is initiated when the mortgage servicer files a notice of hearing and serves that notice of hearing on the homeowner. So that, in a sense, is the lawsuit. I mean, it's not the traditional type of lawsuit with your claims against the borrower, but you are saying, “This individual is in this relationship pursuant to a promissory note and a deed of trust; pursuant to those two documents, this person is now in default. And under the deed of trust, we have the right to foreclose.” So again, that in a sense is the lawsuit.

But in that same context, using Chapter 45, using our 16C argument, we'd say to the clerk at the hearing, “Let's pause because the statute also says that you shall continue the hearing if you have evidence that good cause exists to delay this process so that the homeowner and the creditor, the mortgage creditor can resolve the delinquency short of a foreclosure.” So if we come into that, what is called a clerk’s hearing, and we say to the clerk, “We have submitted a loan modification application. We have submitted an application for the homeowner to benefit from the Hardest Hit Funds program or to benefit from some other form of housing relief,” [then] usually the clerks will accept that as being enough to pause that hearing such that we don't have to make additional petitions before the court to get that foreclosure stayed.

And I say usually because sometimes — You have a hundred different counties, you have a hundred different clerks, and sometimes the clerks will pause. And the clerk will look at what needs to be proved to issue an order of sale. If the homeowner is in default, if that default is evidenced by a promissory note and deed of trust, and all the requirements are met, the clerk will issue an order of sale and a sale date will be set. Now that puts us in a different posture where we may have to take action to get the matter before a judge, a superior court judge, to address what we believe are concerns with moving forward with the foreclosure.

Andrew O’Shaughnessy: What is the cause of action there, exactly?

Johnnie Larrie: For example, let's just say the clerk issues an order of sale. Then the homeowner has ten days from the date that order was issued to appeal. You can file an appeal. And if the homeowner appeals, then that matter is heard before a superior court judge, and a date will be set for that hearing. And the same issues that were taken up by the clerk at the initial hearing are the same issues that the judge is limited to in that superior

court setting. So that's what we call a court matter initiated under 45-21.16.

There is also 45-21.34. That's a whole different ballgame. That is a proceeding that allows you to bring up other equitable or legal issues that you believe should be taken into consideration regarding that pending foreclosure. Sometimes the two proceedings, the point 16 proceeding, and the point 34 proceeding are joined together. But in many instances, they're not. So we have avenues. So we will make a decision as to whether we should simply appeal … [or] file a separate action in which we are drafting up a TRO, temporary restraining order, pleading a preliminary injunction, pleading complaint and filing that separately in superior court? That's the 45-21.34 action.

Or, sometimes, we simply assess the client financially to see if the client can survive a bankruptcy. Because even after a clerk issues an order of sale, until that sale becomes final, we can take other routes to save the house if those routes are available to us. And there have been plenty of times where we have not been able to stay an order of sale and that matter has moved forward and we have filed the Chapter 13 bankruptcy on behalf of the client. Of course, once you filed a Chapter 13 bankruptcy, everything is stayed. So we have a lot of moving parts.

Andrew O'Shaughnessy: So it sounds like… there were a number of ways in which you could slow the foreclosure process and exert some leverage over the servicer. How receptive were they to this mediation and negotiation that you're talking about?

Johnnie Larrie: If I had to say, collectively speaking, I would say not very receptive. I think that is most evident in the context of the HAMP program, when you have mortgage creditors who have received billions of dollars — and I know I've said this before, but I have to emphasize this: you have received *billions* of dollars under the TARP bailout. You were simply too big to fail, many of them, right? So you've received billions of dollars on the backs of taxpayers. And then you have a separate program, the Making Homes Affordable Program, where you have incentives to restructure and modify mortgages so that the homeowner can resume making mortgage payments.

And you don't put the policies, the procedures and practices in place to make this all work. That tells me that it's not about fixing this [debacle]. I don't know if you've read any of the papers and the research that came out of the HAMP program, but it fell far short of its desired ends. Far short. Way [fewer] homeowners got these loan modifications. And for those who

did get the loan modifications, some of them were not good modifications. And so when you asked me about compliance, consensus, mortgage servicers, coming to the table to say, “Hey, we want to make this work out for the good of the homeowner, for the good of the economy,” I would just say, it's not there. Or wasn't there. And it was absolutely astounding to me that it wasn’t.

Andrew O’Shaughnessy: …[Did] you ever [deal] with the Office of the Commissioner of Banks in North Carolina, or ever had any interaction with the Attorney General's office?]

Johnnie Larrie: I can probably sum this up in short fashion. I think for the Commissioner of Banks, we've not really interacted with [them] on any substantive level other than to make formal and sometimes informal requests for records pertaining to brokers and mortgage servicers in the course of defending our clients. Because we had the Mortgage Lending Act, and there were certain requirements on the part of mortgage brokers, for example, licensing, and [also requirements on] mortgage servicers that oftentimes played into our advocacy. We would contact [the] Comm[issioner] to find out, for example, is a particular broker licensed? For example, in the first case that I talked to you about – in that lawsuit that we filed in the context of our bankruptcy proceeding – that mortgage broker was not licensed.

And I believe that the Mortgage Lending Act – Let’s see, I think that was put in place in 2001. I believe it was 2001. But it might not surprise you to know that a lot of brokers were engaging in the solicitation and loan origination activities without being licensed. And sometimes mortgage servicers did not have their paperwork in order either. I mean, if you're going to do business in North Carolina, you need to have your paperwork in order. And so that was one of the places we went to see if – particularly if it was an unknown mortgage servicer, someone we were not familiar with. We’re all familiar with Chase Mortgage, we're all familiar with Bank of America and so on, but there were some that we simply were not familiar with. And whenever we had a case involving a mortgage broker, we always sought out information with the Commissioner of Banks. So in that sense, yes, we interacted with the Commissioner of Banks, but that was the extent of it.

I think for the Attorney General's office… we were just [by their nature] at opposite ends of the spectrum. The Attorney General's office [does not] provide one-on-one representation to consumers who filed complaints. They just can't do it. And

then of course we can't operate at that policy level that the Attorney General's office operates at. But that office refers cases to us for substantive action, and we refer cases to the Attorney General's office for an opportunity to engage in informal discovery. If we can have our clients file complaints with different governmental entities that then go back to the mortgage servicers and say, "Answer for this and provide us with information," that is a way that we get informal discovery. That is a way that we're able to force the hand of the mortgage servicers without all of the back-and-forth that we tended to go through [with] mortgage servicers until we sued them. So that's the beauty of having the AG's office in the picture, because [the servicers] will answer [the AG's office]. One way or the other, they will answer with the AG's office.

Andrew O'Shaughnessy: [W]hat [should] state-level policymakers… learn from this whole experience? …

Johnnie Larrie: I think in terms of what state-level policy actors need to understand: policies that protect and provide substantive relief to poor people matter. I think plain and simple, those policies matter. I was an avid listener of Tony Brown's Journal. And Mr. Brown is an academician and a journalist. I believe he broadcast out of Chicago. And years ago, during one of his discussions, he provided a warning to rich people. He said, "Look, poverty is like a cancer. It always eats its way to the core." I think we saw that with the 2008 financial market and housing crisis [which was the result of forces that had already been afflicting poor homeowners since the 1990s]. … [T]he credit industry [itself would have suffered] except that… there was an antidote… for them [in the bailout]. A cure of sorts, by way of TARP. But what happened to those poor people in the nineties and the early 2000s, it found its way into the middle class. It ended up reverberating such that you had an entire industry collapse. And probably we wouldn't be here talking today if President Bush had not put in place TARP to bail out these entities. So you have to understand that what happens with poor people matters, and you should have policies that address those things.

…. Governments cannot – nor should [they] – address all societal ills directly. It would be impossible for our governments to do that. Sometimes those ills are addressed through nonprofits. And in the context of this legal work, that is the case. To the extent that the issues of poor people and low wealth communities matter, then the advocacy engaged by legal services and grassroots agencies to provide representation in the trenches should matter. And government funding to support efforts should reflect accordingly. We can't do this work

for free. And private entities are not going to do it. Governmental entities are not going to do it, nor can they do it. So you've got nonprofits, you've got grassroots agencies [who have done it for a long time]. [So] let's not close our eyes and pretend that the funding with respect to those efforts is not important. So those are the two things that I would say, just off the cuff.

Andrew O'Shaughnessy: In terms of… things that I should have asked about or that you think are important parts of this discussion that we haven't gotten to, [what might those be?]

Johnnie Larrie: I think to really understand the work is beyond the hour [of this conversation]. I mean, it's beyond two hours to really get your mind around what we do on the ground to get this work done. If you were talking to other legal services or other grassroots nonprofit agencies that were part of this work, I would want you to ask about — or any governmental entity, it doesn't matter — what is the relationship we would need to make this work more seamless, to make sure that we are communicating about the issues and making an effort to get at those issues? I think there's a disconnect. There's a disconnect between governmental agencies and nonprofits that do this work. There is a disconnect between private entities and nonprofits that do this work.

I think that's one of the reasons why we end up with ineffective laws. I mean, you have laws and they look good on the books. But if the only thing that you're interested in is implementation of laws and not interested in how those laws work in practice, we have a problem. I don't know if that makes sense, but I would love for somebody to address that [gap between policy and practice].

I can just give you a quick example. We have a statute under North Carolina General Statutes, § 75, I think it's, -120. It's called the Foreclosure Rescue Scam statute. That statute has been on the books for ten years. This organization was the first one to use it successfully. And that was a year ago. And yet we know that homeowners, especially during times of economic upheaval, are being scammed out of their homes. So why do we have a law on the books that has been used so little? What are the gaps? Where's the disconnect? And if we're not all talking to each other about the work, about the aims of the legislation and whether or not the aims are being realized in practice, then I think that the legislative piece is ineffective.

So, I'm not sure who are all these players that you're talking to in the context of this oral history project, but maybe a question is — and I believe you were trying to get at this when you asked me about COB [Commissioner of Banks] and about the Attorney General's Office — but to the extent that we're not communicating on any substantive level: why – when that's something that's very much needed [in policy implementation and practice]?

Andrew O'Shaughnessy: You mentioned the law that North Carolina Legal Aid was able to use successfully only recently in spite of being on the books for a long time. What was the structural obstacle to making use of it? Why were you the first after so long?

Johnnie Larrie: I wish I knew that that level of communication, interagency-wise, is not something that happens. [The law] was there. We [found it through great effort and] felt as if the facts fit the law perfectly. This was an individual who, without revealing a whole lot about this client, there was a huge factory explosion in which many people lost their lives in North Carolina. And there was compensation that was given to the survivors or the heirs of the survivors. …. But this particular client took almost, I don't know, $400,000 [in compensation]. Never owned a home before and purchased a home.

And being unsophisticated in the ways of paying taxes and making sure you have insurance on your home, this person was faced with a tax foreclosure. And in come the scammers [who] somehow get this person to sign off on paperwork where this individual got money to pay the taxes – they weren't that much – and the scammers ended up with the deed to this person's home. You bought this home in cash, and no sooner had they gotten the home, they had already flipped it and pulled the equity out of the home.

That wasn't the first time that something like that has happened. These scams are prevalent. And, once again, our clients are the canaries in the mineshaft, because you can imagine somebody more sophisticated is not going fall prey to something like that. So this is likely going to be a problem that is experienced mostly by poor people. So it will likely fly under the radar.

But we were able to use that statute successfully. The AG's office had a hand in that statute, the General Assembly had a hand in that statute. And yet the pieces are just disparate. They're just out there. I cannot tell you how we were able to pull this together. Sometimes when you're behind the eight ball,

you come up with a lot of creative litigation strategies. You come up with them. That's where we are. Our clients are behind the eight ball and we're [on top of] the eight ball [tyring to move it for them]. And sometimes desperate circumstances allow for that type of creativity. But we were successful.

[END OF SESSION 2]