AMERICAN PREDATORY LENDING AND THE GLOBAL FINANCIAL CRISIS

ORAL HISTORY PROJECT

Interview with

Tom Callahan

Bass Connections

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PREFACE

The following Oral History is the result of a recorded interview with Tom Callahan conducted by Braelyn Parkman on March 5, 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: Tom Callahan
Interviewer: Braelyn Parkman

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Braelyn Parkman: I'm Braelyn Parkman, an undergraduate student at Duke University and member of the Bass Connections American Predatory Lending and the Global Financial Crisis team. It is March 5th, 2021. I'm here for an oral history interview with Tom Callahan, Executive Director of the Massachusetts Affordable Housing Alliance. Mr. Callahan joins me via Zoom. Thank you for joining me today.

Tom Callahan: I'm happy to be here. Thank you for the invitation.

Braelyn Parkman: I'd like to start just by establishing a little bit about your background. I believe that you graduated from Fairfield University with a bachelor's in politics in 1982. Is that correct?

Tom Callahan: That's correct.

Braelyn Parkman: Did you grow up in Massachusetts?

Tom Callahan: I did. I grew up in North Adams, Massachusetts, and in Berkshire County, and a small city, old mill town, and now home to one of the largest contemporary art museums in the world, MASS MoCA. Chamber of Commerce paid me to say that. [Laugh] But I did grow up and have lived most of my life, except for my college years, in Massachusetts.

Braelyn Parkman: As an undergraduate, were you interested in housing policy and affordable housing issues?

Tom Callahan: I was a politics major, so I was interested in all things political science related. Housing, I can't say was a particular focus of mine, but I really got interested in more community organizing first. My senior year I had an internship with a group called the Connecticut Citizens Action Group, which did statewide community organizing, and that was a real eye-opener to – that was in the early 80s – community organizing groups. A lot of nonprofits were starting up in the late 70s, early 80s, and it sort of opened up a new window…. [H]istorically political science majors thought about going into government. So I started thinking more about a career in the nonprofit sector and specifically with doing community organizing. So that's how I got my start in this field. And my first couple jobs touched on some of the housing issues, or my first job touched on some of the housing issues, but it was [a] multi-issue organization and really ran the gamut from lots of issues people were facing, housing among them, but not exclusively housing.

Braelyn Parkman: How would you describe your first couple of roles at Massachusetts Fair Share and with Tenants United for Public Housing Progress in the 1980s? What kind of work were you doing there? What kind of issues were you looking at?

Tom Callahan: So, as I mentioned, I was community organizer for Mass Fair Share. I was initially in Dorchester, which is Boston's largest neighborhood, most diverse neighborhood….. About a quarter of the city's population lives in Dorchester. So that's where I was doing some community organizing. It was around, like I said, it was multi-issue. We were a statewide organization with local chapters, so I was working for Dorchester Fair Share. …. One of my first public meetings I organized was around public safety around the T station that was in our neighborhood, the MBTA [Massachusetts Bay Transportation Authority], the public transit station that was in our neighborhood. There was lots of safety issues at night with lack of lighting with no – here's a throwback – no payphones. When people got off the train, there was no phones to call or no working phones to call for a ride, call a relative for a ride or whatever.

So, there's all sorts of serious public safety issues that we worked on. We also worked on statewide issues as well -- rising utility rates, which was always a big issue. We worked on tax issues, tax classification issues, assessing downtown office properties at a different rate than residential properties, and helping people, homeowners get tax relief that way. So, a variety of issues there. And then, I was there for about two and a half years and then went to Tenants United for Public Housing Progress, which was a relatively new organization with a fascinating history…. [T]he Boston Housing Authority [BHA] was placed into court receivership, court ordered receivership and because of bad management and failure to sort of provide adequate housing for tenants there. And one of the things the receiver ordered was that the BHA had to fund tenant organizing at its various developments across the city because the tenant – as the receiver noted – the tenants didn't have a voice really, they didn't have an organized voice to push the BHA to be a better landlord. So we did some, I think, really important work organizing tenant groups all around the city. In each family public housing development there were organized tenant task forces, tenant councils, and then as a citywide organization, we would work on common issues that were facing public housing tenants in East Boston and Dorchester and Roslindale, and all across the city, and bring them together to meet with public officials, elected officials, BHA senior executives, and really push them. One of the issues we worked on was asbestos in the basements of a lot of these public housing developments and trying to get that out of those developments, and a variety of other issues as well. But my first five years were really good grounding in different types of community organizing tactics and issues.

Braelyn Parkman: [W]hat led you to join the Massachusetts Affordable Housing Alliance [MAHA] in – I believe it was 1987?

Tom Callahan: …MAHA started in late 1985 and was in a position in '87 to hire its first staff people other than the founder, who obviously had started [it] in '85 and kept it going through '86 and early '87... So, Lew Finfer, a longtime community organizer, who I had known from [when] he was the founder of the Mass Tenants Organization in 1980, and had started up MAHA. I just thought it was a really good opportunity to work for one experienced community organizer like Lew. I think Lew's vision for the organization was interesting, very intriguing to me. We started and still are a statewide organization, but his vision was always to try to develop a more grass[roots] -- initially we were more of a coalition model, and Lew's vision was always to blend the strength of a coalition model but with the power of a grassroots organization that organized people who needed housing. And that was the general concept of which I was hired under to be one of those organizers to go figure out what model worked best. And we explored different concepts, like trying to organize renters as a renters union or homebuyers into more of a homebuyers union. We eventually settled on the homebuyers union concept. And so, that's in my early years at MAHA, myself and my colleague Hillary Pizer were charged with trying to develop a grassroots organization of people who had been priced out. Initially, we thought just people who would have been priced out of Boston, or out of the home-ownership market in Boston, would be attracted to join our organizing effort.

What we quickly learned is yes, that was a motivation for people, a huge motivation for people to join. But disproportionately, we also saw that it was women of color who came to our meetings and they had two issues: (1) they were being priced out of Boston [and] (2) they … also felt like they didn't have a fair chance to get a mortgage loan. They were being redlined out of Boston as well. So that opened up a whole new issue area for us that, as a white organizer, forced us to learn a lot about the Community Reinvestment Act (CRA) and what leverage we might have to take that case to the banks.

Braelyn Parkman: Could you describe a little bit more about the state of the mortgage industry in Massachusetts at the time? It sounds like access to credit was a big issue. Were there others that you were focused on?

Tom Callahan: Yeah, as we learned more about the issue we realized and look back a little bit and relatively, this was in 1987, '88, '89, and we kind of look back at recent history in Boston, recent being the previous 20 years or so. And a number of things had sort of jumped off the page at us there. One is, we learned about this program called BBURG, Boston Banks Urban Renewal Group. It was a government federally insured mortgage program. There's a book actually written about it called *The Death of an American Jewish Community* and the subtitle *A Tragedy of Good Intentions*. It's a fascinating book and it's a fascinating case because it really describes both the political and economic factors in Boston in 1968 and '69 and '70, responding to the assassination of Martin Luther King [Jr.], and the political leaders coming together and trying to say, "Okay, we should do something about helping Black residents of the city of Boston buy homes." But they then made, I think a fatal mistake in that they decided that they couldn't just let that happen anywhere Blacks wanted to buy homes. They actually drew a line around Mattapan, largely Jewish neighborhood at the time, and said, "We're going to let them buy under this program in this neighborhood only." And I mean, it's a long story obviously, there's books written about this, but it really allowed unscrupulous realtors to block bust, to knock on doors and say, "A Black family is moving in and you better sell now." And it really rapidly flipped Mattapan from a largely Jewish neighborhood to a largely Black neighborhood in pretty record time. And because these were a hundred percent government guaranteed loans, the banks didn't have any skin in the game. And … there were things like drive by inspections, really no real house – home inspections. A lot of sellers were elderly, maybe the buildings needed serious repairs. And the buyers entered without an adequate home inspection, not knowing that. Anyways, there were huge delinquencies and foreclosures after only a few years in the program because of the … the poor way it was structured.

So, that was the history we were dealing with even in 1988 and ‘89. It was our research that … in between 1970 and ‘71 when this program was happening and imploding, if you will, between that period, ‘71 or so and ‘88 – there'd been no real serious bank-community engagement in any serious way that we could really uncover. There had been a few efforts, a few efforts from a couple banks, but no serious sort of industry-wide effort to get serious about mortgage lending. And in 1989, the Federal Reserve Bank of Boston did this study … on racial disparities and mortgage lending and basically looking back over that period and determining the banks had been guilty of racial discrimination in mortgage lending in Boston neighborhoods. And that really just blew the cover off of what every person of color who had been trying to get a mortgage for that period kind of knew instinctively, but it was the Fed saying that banks had been guilty. It really gave MAHA and a community coalition that MAHA was part of, the Community Investment Coalition, a real opportunity to get a negotiating table. It wasn't that easy, we had protests, we had to make our demands known, but it eventually led to a two-year long campaign that resulted in the banks making affirmative commitments to open branches, open ATM's, do mortgage lending at affordable rates, increase lending to affordable housing developers, community development corporations, small business, minority business lending, a whole variety of commitments that they made and for the most part have honored.

Braelyn Parkman: … You mentioned Mattapan, but are there other communities and neighborhoods in Boston or in Massachusetts that you were especially focused on in the late 1980s, early 1990s?

Tom Callahan: Yeah, I think there's kind of four core neighborhoods our organization has spent a lot of -- both because now that we do first time home buyer education, a lot of our class attendees come from these four neighborhoods. It's also four of the five neighborhoods where the majority of residents are people of color, households of color. So, it's Roxbury, Dorchester, Mattapan, and Hyde Park, and along with East Boston. Those are the five neighborhoods where now, at least in 2020, are majority households of color. And so that's where the core of our membership comes from, our class attendees, people interested in home buying, and it continues to be a focus of a lot of our work. … [S]ince people are renting in those neighborhoods, a lot of, not everybody, but a lot of folks would like to put down roots and buy a home in one of those four neighborhoods.

Braelyn Parkman: And are all those neighborhoods having similar problems with histories of red lining and access to credit, those kinds of issues? Or are there differences?

Tom Callahan: Yeah, Roxbury is the I think the most notable case, right? If you go back to the Home Owners’ Loan Corporation maps in the 1930s, Roxbury is the primary neighborhood that's in red, that … the Federal Housing Administration [FHA] deemed “dangerous,” I think is what the label they put on red neighborhoods were. So, Roxbury has probably had the most impact in terms of historic redlin[ing] going back many more decades than the 70s and 80s, and that had been the center in that time of the Black community in Boston, the South End and Roxbury. So that neighborhood has probably borne the brunt of the redlining over the course of many decades. But Dorchester and Mattapan are adjacent neighborhoods that also felt the impact. Hyde Park and East Boston are two interesting neighborhoods because when I started my organizing career they were majority white neighborhoods.

So Hyde Park and East Boston are both neighborhoods that have changed demographically quite a bit over the course of my 30 years, 30 plus years of organizing. [In] Hyde Park we see a lot of activity from our graduates because it's a neighborhood that's adjacent to Mattapan and it has a lot of affordable – well, I should temper that term, relatively affordable to the rest of Boston's neighborhoods. It has smaller single-family homes, a lot of Cape Cod style homes and smaller homes that are generally slightly lower priced than some other neighborhoods. So we're seeing a lot of home buying activity in that neighborhood because, in some cases, Mattapan and Hyde Park are the last two neighborhoods that a lot of low and moderate income home buyers can afford in the city, which is a sad commentary on the gentrification and the price appreciation that Boston has seen over the last 10 years or so.

Braelyn Parkman: And how does MAHA typically keep its finger on the pulse of challenges facing consumers and home buyers? Do consumers come to you with complaints specifically, or do you hear about them in some other way?

Tom Callahan: So, I think two primary ways. We [regularly host a] home buyer education class we call Home Buying 101, which is a 12-hour class that is kind of the nuts and bolts of what you need to know to be a successful home buyer. Those classes always elicit a lot of real time information. Some of the people that take the class are still a year or more away from buying a home, but others are more actively in the market now. So that's always a great opportunity for us and our staff to listen to the real experiences of what's going on, what people's real life experiences are, what their perceptions are, what interactions they've had with people, either home sellers or realtors or bankers, or what have you.

So that's one sort of way we get and collect information. We also do some formal surveying of people and ask them about their experiences, both pre-class and sometimes post-graduation from the classes as well. And then our community organizing side, we have this group still called the Homebuyers Union, who we recruit folks who are interested in, yes, they're interested in buying a home, but they're also interested in increasing both their own chances, but [also] their neighbors chances, to find an affordable home and get an affordable mortgage. So, one of the things we say in the classes is these homes that are being built that are affordable down the street from you didn't just happen because, you know, somebody willed them to happen. They happened usually because people in the neighborhood or people like yourself stood up and asked the mayor or asked the state government to increase funding or campaign in some cases for new sources of revenue so that more money could be put into affordable housing and affordable homeownership construction.

So, same with the banks … the bankers don't roll out of bed thinking, "How many more affordable mortgages can I do?" They sometimes have to be pushed to do that. So, we try to work with people who are interested in joining in a group effort to campaign for more affordable mortgages, more affordable homes, and engage with bankers, with elected officials, and that has been very successful. Our organizing, just prior to the pandemic in 2019, we have a thousand home buyers in the Reggie Lewis Center in Roxbury with Mayor Walsh and with, I think, eight other elected officials. There was an announcement that night of an investment in a new mortgage program that we had campaigned for, but it was also a strong sign that the desire for homeownership in the city is very strong, probably 80, 90% of the people in that room were people of color that evening. And, so we were constantly trying to show that putting resources into affordable home ownership from the private sector and the public sector is a smart and good decision and necessary decision to keep people able to stay in the city.

Braelyn Parkman: So I think you already started to talk about this a little bit with MAHA’s response to the report in the late 1980s about racial disparities in housing, but could you describe the creation and passage of the Soft Second or ONE mortgage program, and how that came into being?

Tom Callahan: Sure. So that really started January 11th, 1989. And the reason I remember that date is that's the date the *Boston Globe* put on the front page a leaked copy – an article about a leaked copy of the Federal Reserve study on racial disparity.[1] So it hadn't been released by the Fed yet, but it was circulating in certain circles. No one's ever found who the leaker or proved who the leaker is. We have our guesses, but anyways, it was huge front page news in the *Boston Globe*, the

[1] Marantz, Steven. “Inequities Cited in Fed Study of Hub Mortgages.” The Boston Globe, 11 Jan. 1989.

Boston Herald, and really changed the course of our organization because it really, as I mentioned before, when we started the Homebuyers Union a year earlier, at our very first meeting, people said, "Yeah, we need to get the city and the mayor to do more, to build more affordable homes, but we also need to do something about the banks." People said that at the very first meeting. Women of color for the most part were saying that, and we said, "Whoa, this is our first meeting. We're not ready to take on the biggest banks in the city yet. So let's build some power, let's build our membership." And we did that, and we were growing in size, and people were starting to recognize our organization and our Homebuyers' Union. But it really accelerated our schedule because I don't know if a year later we were totally ready to take on the biggest banks in the city, but that Fed study gave us an opportunity, and gave us some leverage to get to the negotiating table, or at least we thought that would be the case.

So it turned out it was the case. We formed a coalition with two CDCs [Community Development Corporations], Urban Edge and Nuestra Comunidad, a labor union, Local26, Hotel Restaurant Workers Union, and two other community organizations, Greater Roxbury Neighborhood Authority and Dudley Street Neighborhood Initiative.

And so those six groups along with MAHA, including MAHA, sort of took their case to the banks, put together a billion dollar, 10-year investment plan and presented it to the banks. We eventually did get into negotiations and one of the results of that negotiation, if I can think of the timeline about a year later, I think it was on Martin Luther King [Jr.] day, a year after that January 1989 leaked report, we had announced essentially a $400 million agreement that banks were committing to. It took a lot longer than we anticipated after that announcement to get the SoftSecond program off the ground. We actually didn't open for business until much later that year, October or November, and then the first closing was late January of 1990, or 1991, sorry 1991, almost two years after that first newspaper article started reporting on this.

So, it was a lot of, I mean, we protested at bank branches, we had 7:00 AM negotiating sessions with bank executives in sometimes downtown, sometimes in Roxbury and Dorchester. It was a real community-led campaign. And I think, MAHA feels like still to this day that it's our signature achievement, even though we have lots of other things we're proud of accomplishing. But that program started as an anti-redlining program thanks to our partners in a quasi-public agency called the Mass Housing Partnership. That program has maintained its focus on racial equity throughout the 30 years of its life. So that today in a state like Massachusetts [where] almost 80% -- 78% of our residents are white, … 60% of the recipients of the [ONE] Mortgage [successor to the SoftSecond] statewide are people of color.

And if you look [beyond] Boston … in Massachusetts we call them Gateway Cities, which is other urban centers across the state, 80% of the homeowners in those cities are people of color. So it's one of, if not the, one of the most effective anti-redlining programs. 23,000 mortgages later and 30 years later, it's still going strong, and 43 lenders, mostly banks, but some credit unions as well, offer the program now. But it needs to be increased because, even that successful program hasn't done enough to truly close the racial homeownership gap. So, we need more banks to join, we need the banks that are involved to increase their commitments to the program and their lending in the program.

Braelyn Parkman: Could you just talk a little bit about how that program works? Is it a voluntary commitment from the banks or was there some government involvement?

Tom Callahan: So it is voluntary commitments. … A lot of banks step forward. Some banks, it's part of a negotiation. Santander, which is a big regional bank here, just made a five-year commitment a few years back as a result of a poor CRA [Community Reinvestment Act] rating they had. Other banks sometimes there's negotiations through mergers for commitments to the program. So it's been a variety of things, but they're all voluntary. There's nobody compelling a bank to participate, other than … we strongly encourage banks to do that. There is state involvement, there's a small amount of state subsidy involved in each mortgage. So the banks that do participate get the benefit of having a small loan loss reserve that is their inducement to not charge the borrower private mortgage insurance [PMI].

So that increases the affordability quite a bit because there's no PMI charged to the buyer, and in exchange for that there's a loan loss reserve so that the banks feel like they have some insurance, even though it's not the private mortgage insurance that's typically charged on a low down payment mortgage. And then there's a small amount of public subsidy that some borrowers qualify for a further reduction on the interest rate. Every bank offers it at a slightly reduced interest rate, about 30 basis points below market, but other borrowers can qualify for essentially a further reduction of that interest rate with the state subsidy. We actually just launched, you may be going to ask me about this, but we just launched an enhancement on this program about eight months ago or so. In the city of Boston, we now have a new program – it's called ONE+ Boston.

So, it takes the ONE Mortgage Program that Mass Housing Partnership administers and marries it with some local funds the city of Boston is putting in from the Community Preservation Act that recently passed here and, further writing down the interest rate and providing additional down payment assistance for the borrowers. So that's really helping people stay in the city and not have to move to outlying areas, which are more affordable, but outside of a comfortable commuting distance or outside of where their churches [are], or where their family lives. So it's helping be a bulwark against gentrification that's happening in the city.

Braelyn Parkman: For the consumers who participated in the SoftSecond or ONE Mortgage Program, how did their foreclosure rates compare to other consumers during the financial crisis in 2007, 2008, 2009? Were they the same? Were they different?

Tom Callahan: Yeah. Good question. We have tracked with our partners at Mass Housing Partnership, tracked the delinquency and foreclosure rates throughout every quarter. We're constantly looking at these rates. So this program has performed extraordinarily well over the 30 years, including in downturns in the economy. We basically had a foreclosure rate and a delinquency rate that is at or below the average rate for all mortgages in Massachusetts, for all incomes. So the program that serves the lowest income population basically performs as well, or in many cases better than the typical Massachusetts mortgage, which is something that I think is – a calling card for the program is that we have proven, I think over 30 years that it can be good business to do this type of mortgage lending for banks.

We definitely had an increase in delinquencies and foreclosures during the ’08 [crisis]. It wasn't so much immediately … actually we saw a problem kind of a year or two out, which was interesting to us. But we definitely saw a spike in delinquencies and definitely some foreclosures. But again, those tracked what was happening in the national and statewide averages too, so we were never way above those averages. They were higher than we'd like them to be because obviously every percentage point means more buyers, more owners struggling, so that is always a concern to us. But Mass Housing Partnership has funded a network of about eight or so groups around the state that do foreclosure prevention for people in this program. And I think that's helped to save quite a few homes over time, including just letting people know what … resources there are available, how to contact their lender, maybe some assistance with being the intermediary between them and their lender, negotiating forbearance agreements and things like that. So, that has helped I think some people avoid foreclosure and that type of work continues, you know, even when delinquency rates are low, but it's even more important when we see some spikes.

Braelyn Parkman: ... In 1999, you were an opponent of the merger between Fleet Financial Group and BankBoston Corporation. What were your main concerns with the merger and why did you oppose it?

Tom Callahan: We, I think, were concerned about the sort of increasing power of the bigger banks. They've always had a lot of power, political power and economic power in the city. And I think, we felt like Fleet and Bank Boston at that time were the two largest banks in the city. And combining them into one would just create this entity that would be so powerful that … they were almost immune from competition, and because they would have such a huge market share. In fact, I think ... if my memory serves, they had to sell some branches. They had to divest themselves of some of the branches because their concentration in certain markets would have been -- their market share concentration would have been so high that I think the regulators deemed that to be unhealthy.

But we were also concerned, I think about ... the banks approach to CRA too. And that was around the time I think we started to see a shift. The '90s had been looking back on a relative heyday of bank, community agreements, and cooperation. A lot of the banks had gone through some mergers during that period and that gave some community groups some leverage to get to the negotiating table. And I think a lot of good agreements were forged in that period. But as the banks got bigger and bigger, and [they] became … the big four or five banks that – the Chase, Wells, Bank of America, Citi, Capital One. … Back in 1999, I think we were starting to see and started being concerned about the growth of these huge institutions that were less responsive to any specific local community.

And so we worried about a big bank with -- obviously this was just before the Bank of America merger with Fleet that came a few years later. But I think we saw that kind of handwriting on the wall, if you will, that these banks were getting less connected to their local communities. To us, CRA is all about – the emphasis should be on the C, the community, and we were starting to see the early signs of like, "Oh, we can't do that program because, then we'll have to do it everywhere. We just want our systems to relate to a single mortgage program across our entire footprint in however many states they were in … 10 states or 12 states or 20 states." And we continue to hear that argument today. So I think that was part of the concern as well. And, we also wanted them, if ... the merger was going to be approved, we wanted to make the point that it should come with substantial written commitments to the communities that they were in.

Braelyn Parkman: … What other nonprofits, agencies, legal aid organizations, et cetera, did MAHA partner with in the 2000s before and after the financial crisis in any projects or programs related to that?

Tom Callahan: … The other entity that we worked a lot on CRA with is the Massachusetts Association of CDCs or Community Development Corporations [MACDC]. So they're a statewide trade association of sixty or so local Community Development Corporations. They've been a great partner with us specifically on some of these mergers actually. And, as we talk, there's two fairly significant mergers taking place in our market right now, and that we're once again renewing that partnership with what we call MACDC, and approaching them. It's a great sort of marriage for us because with our organization's focus on the mortgage lending side and the CDCs primary interest, even though there's an overlap there, CDCs also bring to the table: small business lending, affordable housing development lending. So it's a really nice array of community concerns that we can put in front of the banks. So that's been [an] effective partnership over the years that continues today.

Braelyn Parkman: Massachusetts had several laws passed during the 2000s in regards to predatory lending, foreclosure prevention. What was MAHA's interaction with these laws? ...[Were] there any challenges there?

Tom Callahan: Yeah. So I think the biggest accomplishment was in 2007, the passage of essentially extending the state CRA law to … independent mortgage companies. We became the first state in the country to do that. That was a result of a seven-year long effort. Matter of fact, your previous question obviously referred to a merger that was happening in '99. The other thing that was happening in '99 and 2000 is – so, Professor Jim Campen. Jim is still, was then, and still is on MAHA's Board of Directors. He's an … economics professor emeritus at UMass Boston, and has been a leading researcher in the country really around home mortgage trends and produced these reports called Changing Patterns for a 25-year period from the early 90s to just recently.

And his reports were picking up in late 1998, 1999, 2000, the early signs of the predatory lending activity. … He started to see first, and brought it to our attention, the activity of companies like Ameriquest and some of the other more notorious subprime slash predatory lenders, initially not getting a foothold in the mortgage market – in the home purchase market, but in the refinance market. He said something, I almost remember those conversations, "Something funny is going on here. There's these players we've never heard of before, doing an increasing number of … sometimes home equity lending, but often refinance lending." Leading to the serial refinancing that the predatory lenders did. And then a couple years later, we started to see them move into the home purchase market too. And not just stick to the refinance lending. So, Jim's research was really the reason in 2000 we filed legislation to create a Community Reinvestment Act for mortgage companies because we wanted the state to regulate them. One, we felt like the state had the authority and they do have the authority to do that, so we, unfortunately it took us seven years to get that legislation passed and a lot of damage was done in that seven-year period. But we saw, thanks to Jim's research, that kind of trend line coming. And we were fortunate to have some support in the legislature, but not enough support to get that done in the early 2000s, which would have been helpful, I think, to reigning in some of the worst abuses of some of these mortgage lenders.

By the time it passed, unfortunately, a lot of the companies were either, had gone, some of them had gone belly up or were about to, but we still feel like that law has played a role in requiring mortgage companies to see the whole community they serve, including low- and moderate-income neighborhoods, and to try to develop a product line that would better meet the needs of low- and moderate-income homebuyers. So we still have a lot of work to do, it's still, even though it passed in 2007, it still feels we're in the infancy of that law and trying to understand how best to engage the independent mortgage sector. But I continue to think it's an increasingly important area because, when you look at Massachusetts mortgage lending, you look at national mortgage lending, the banks are declining in terms of their market share and mortgage companies are continuing to increase their market share. So, if we don't have a regulatory structure, a legal structure that treats all mortgage lenders with the same types of responsibilities for community reinvestment, then I think we're setting up some dangerous situations for the future.

Braelyn Parkman: And in advocating for a piece of legislation like that … Community Reinvestment Act for independent mortgage lenders, what kind of tactics would you have used? Were there protests? Were you lobbying? What kind of things would you do to get the legislature to take this up?

Tom Callahan: Some of our other campaigns included a lot of more grassroots and street protests, bank branch protests and stuff, but this campaign was mainly fought inside the legislature. … It was a different type of campaign in that respect, but we did a lot of – I mean, we used Jim's research a lot as the basis for initially educating. This was before it was front page news, or even in the business sections of papers that this idea of these high-cost loans was kind of not being reported on that much. So, I think that's one of the reasons it didn't pass right away is we had a hurdle to overcome in terms of educating state representatives, state senators, the governor about the dangers of this type of lending.

So we would use Jim's research a lot in part of that education. We would also have smaller groups of folks all around the state … meet with their legislators to try to encourage them to co-sign on, co-sponsor the legislation. … [In] legislative efforts, it's not unusual in that they're often multi-year efforts because you can get initial sponsors that are enthusiastic about it, but they have to do some work in the building and we have to do some work outside the building to sort of bring others on board. And, so it was just a sort of continuous sort of effort over a six-, seven-year period to try to raise the awareness and education level and point to some of the stories as this got more prominent, this type of lending got more prominent, publicize some of the people that were being harmed by this type of lending.

So that was part of the campaign too, to elevate some of those stories of – we would find these stories of people in the – loan officers who would say to somebody who didn't qualify for a mortgage, saying, "Never mind. If [you] don't have enough income to afford the mortgage, I've got a plan for you ... Basically, you don't have enough income to buy one house, we'll buy two houses." And the theory, according to this predatory lender was you can rent out one of the houses and use the income from that house to pay your mortgage on the home you can't afford. But it's a house of cards. It was all sort of built to have that person refinance two years later, or in some cases, six months later, or – I remember one case, it was like a fixed rate for two months, and then it started adjusting after two months, some ridiculous model that they had come up with. So it's just, those stories started to bubble up. And we started to try to elevate those more in the conversation, political conversation in the media. But it's never easy because there are certain people out there who would blame the victims, blame the people for wanting to go along with these efforts, rather than blame the perpetrators and the people that were peddling these mortgages.

Braelyn Parkman: … Over the last decade, we've seen a number of different narratives emerge to explain the financial crisis. How do you understand what caused that crisis?

Tom Callahan: … I think there's a couple different factors that I would point to. One is we've – I think there's some positive aspects of this – but we've set up a system where it's possible for a variety of different types of financial companies, financial institutions to get into the mortgage market. So we created space for the independent mortgage companies to enter the market. Not that the banks were always the best actors as we know, but it opened up the rise of the secondary market, Wall Street being major investors in the mortgage market, really just opened it up to a lot of different actors and players.

Many of whom weren't regulated in the same way. Most of whom weren't regulated in the same way banks were. And not that regulation is the only answer, but it definitely gives the public some tools to rein in some of the most egregious behavior. And I think at the beginning of the financial crisis, we didn't have very many tools. Dodd Frank [Dodd-Frank Wall Street Reform and Consumer Protection Act] has given us a lot more tools now and, so I think that's probably the biggest factor I could point to – it wasn't so much deregulation. It was more allowing new players into a field that had been historically pretty strictly regulated. You went to your local savings bank to get a mortgage loan and that system had plenty of problems in terms of racial bias with most of the bankers being white and lending on “character”.

We all know the serious problems that that system had. But typically, while that system excluded a lot of people, it didn't invite people in who couldn't afford a mortgage, and set people up to fail. And this other system where the market is responding to investors from all over the world, flooding the market with more money, and the economics of just like every cog in the system saying, "Just do more and more and more, bring me more," was a recipe [for disaster]. Obviously, it's easy to look back, but even at the time, I think researchers like Jim were ahead of the game in forecasting that this was a disaster waiting to happen. So I guess that's how I would answer that.

Braelyn Parkman: Last question. Looking back on the crisis over a decade later, what do you see as its most important lessons for housing advocates and state-level policy makers?

Tom Callahan: Well, I think one of them is you have to have some public hooks on these lenders, certainly. I think it's also, this might be a little strange to say, but I think in a good way, it shows the powerful lure of homeownership, right? … The fact that people's desire for homeownership has stayed strong through that financial crisis, through a foreclosure crisis where a lot of people knew somebody close to them, family member, coworker, somebody in their neighborhood who got foreclosed upon. But at least the surveys I've read, throughout that – the desire, the aspiring to be a homeowner stayed strong. So I think one of the lessons is we've got to take the positives there, take the fact that Black and Brown people, Asian folks, white folks of low- and moderate-income means would like to enter the economic mainstream through homeownership, or at least that's one of the ways that they can enter the economic mainstream.

I think it's a powerful tale that basically that should be a driver of a lot of our policies around housing-- to try to encourage more homeownership among a population that right now sometimes doesn't have easy access to buying a home. But it is also a cautionary tale of we got to be very strategic and very smart about how we put together those programs. They have to be regulated in a way so that people get a fair deal and not a predatory one. They have to be intentional about being race conscious, I think, because when we look at the numbers in this country, in Massachusetts at least it's 70% of white households own their own home and about 35% -- it's basically a two to one ratio – 35% of Black, Latinx and Asian families own their own home. So, we have one of the worst gaps in the country in Massachusetts, and that didn't happen by accident. It happened [because of] very intentional actions by government and by private sector over many years, many decades, and we're not going to close that gap without being intentional. So it's race conscious policies. It's putting in supports to do whatever we can to try to ensure success both short-term in getting that mortgage and long-term in staying in the home. But we've got to build the regulatory system to make sure people are getting fair and equitable access to these loans and a support structure that makes these smart and well-designed programs that reach the intended population.

[END OF SESSION]