AMERICAN PREDATORY LENDING AND THE GLOBAL FINANCIAL CRISIS

ORAL HISTORY PROJECT

Interview with

Judi Margulies

Bass Connections

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PREFACE

The following Oral History is the result of a recorded interview with Judi Margulies conducted by Carolyn Chen on December 15, 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.

Transcriber: Sarah Walker
Interviewee: Judi Margulies
Interviewer: Carolyn Chen

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Carolyn Chen: I'm Carolyn Chen, an undergraduate student and member of the Bass Connections American Predatory Lending and the Global Financial Crisis team, and it is December 15, 2021. I'm currently in Vancouver for an oral history interview [via Zoom] with Judi Margulies, who has been a residential real estate specialist in North Carolina since 1987 and currently leads the Margulies team at Allen Tate Realtors. Thank you for joining me today.

Judi Margulies: My pleasure. Thank you for having me.

Carolyn Chen: I'd like to start by establishing a bit about your background. I believe that you obtained your Bachelor of Arts in French at the University of North Carolina at Chapel Hill in 1974. Is that correct?

Judi Margulies: That is correct.

Carolyn Chen: In the context of your work life, when and how did you first become involved with real estate and residential mortgages?

Judi Margulies: I was not working full-time. After I graduated from UNC Chapel Hill, I was unable to find a teaching position in the public schools, which was really heartbreaking because I had spent a year in France. I had become bilingual. And I really wanted to teach the French language in the language in either middle school or high school. And unfortunately, in 1974, there just wasn't any opening in Wake County for my specialty. There also was an oil embargo in place, and there was a very difficult time getting gas. Our Wake County school system is very, very widespread, and my concern was I didn't want to take a job that would send me an hour distance if I couldn't even find gas. So, I tried to focus on schools that I thought were in my proximity, but there was no opening.

They wanted me to teach French, English, Spanish, German, any language all in one and I said, "No, I didn't feel qualified." And so, I was offered a job at a private school, but it was only for three hours a week, which I couldn't afford to do because first, I just got married. So, I ended up working in an oral surgeon's office for four years while I was starting out, as I just got married. Once I had my sons—I had two boys in 1977 and 1980—I started to think about going back to some form of work. First, I did part-time work for my husband and his business at United Restaurant Equipment, just doing data entry, which was not interesting to me. And then a friend of mine, who has also had a profession as a speech pathologist, we had worked together on several projects through our synagogue. We were good friends, but we also were very good workers together. She said, "I am going to take a real estate class." It was 1987. And I said, "Are you leaving your career?" She said, "Yes, I have to make a change. I'm going to do this.” I said, “Well, if you could do it, I could do it.” And I said, “If I fail the exam, I'll become your assistant.” And she just laughed. She said, “Well, if I fail, then I'll become your assistant.” So, we both took the class in 1987. We both got our licenses in 1987 and started as a team for a very short time with York Properties in Raleigh, which had just opened a residential division out of a family-owned business, which was a good start for us. We had a very good manager at the time.

But our partnership didn't take off very well because we both went at different paces. She was very highly motivated. She was mostly the breadwinner of her family at that time, and…I didn't really want to spend my nights doing as much as she did. So, we separated our business, but we still stayed in the same company. And that's how I got started. I had been spending a lot of time driving through Raleigh, just curious, looking at the new construction. There was a lot of construction and new communities being built. It was very intriguing to me, and it was frustrating that I couldn't get into the houses. I would have my kids in the backseat, and they'd be taking naps, and I would just be driving through these neighborhoods.

And I finally realized how much I enjoyed previewing houses and how much I enjoyed that whole idea of helping someone find their home. It was kind of like an extension of my teaching background. I would be helping someone learn a process of how to find a home, purchase a home, get through the entire process, and transactions, and counsel them. At times I feel like I'm a counselor as much as I am a salesperson. I do have to hold people's hands at a time that’s the most significant investment they make during their lives. It's also a very stressful time for people when they're moving.

So, at times I feel like I’m a social worker. And I do a lot of relocation. I love helping people come to the area because I'm a native. I was raised here. My husband was born and raised here. So, it was a real passion of mine to help newcomers come to the area, discover the area, and help them learn all about what Raleigh had to offer. And I feel like that is where my interest was the greatest. Unlike a lot of agents that go out and start looking for listings, I was looking for people to bring to the area. I feel like an immigration counselor sometimes. My focus has been on buyers, but I do a lot of listings now because a lot of those buyers have moved. I love all the aspects of it, except for the inspections, to be honest with you. That's the hardest part of our transaction. But it gives me a great sense of achievement, and it's just very gratifying to see people—it's kind of like watching a couple fall in love. They find their home, they get excited. It's exuberating. There are some setbacks along the way usually, but I've seen a lot of them, and I know how to handle them. I feel like I sort of ease them through the whole process.

Carolyn Chen: You mentioned briefly that inspections were the worst part of this whole process. What about it makes it so?

Judi Margulies: Our contracts [purchase contracts] changed a few years ago. They've changed periodically, and I've been doing this for thirty-five years, so contracts have changed a lot over the years. In the last ten years, we've had a new contract that has called for a due diligence period where a buyer gives a nonrefundable due diligence check directly to the seller that they keep. There's no interaction between the agent. It just goes directly to the seller. It's not refundable for any reason, whether the transaction fails or anything. But that due diligence period, that is giving the buyer the right to get all their inspections, to go through the loan process, get their loan approval or go through all the steps they need to get approval. If they want to get an appraisal—well obviously with a loan, they will get an appraisal. If they want to get a survey—even if they want to have the rooms measured for carpet—any investigation of any kind is done during that due diligence period, which typically is three to four weeks.

When this first came out, no one knew how to handle the due diligence fee. There was no formula for how much should that be. So, it started out very low. It was $100, maybe $200. Gradually, it got higher and higher. As the market shifted and buyers could find fewer houses and sellers could sell their homes for a great deal more money and had multiple buyers, that due diligence fee became more and more significant. Instead of spending $1,000 or $2,000 or $3,000, it became tens of thousands of nonrefundable money. As a buyer’s agent, it gives me pause because I feel like they are taking a risk. As the listing agent, I feel comfortable for my seller that they're getting a huge amount of money that's nonrefundable. Therefore, the transaction is very unlikely to fail, because they can't get that money back. But during the inspection process, buyers pay an inspector to go through the house very thoroughly. They check all the systems, every outlet. They check the roof. They check the heating systems. They go into the cross space. If there's a septic system, that has to be checked. Water purification has to be checked if it's on a well. All these things come together. And, usually, it's done very quickly during that due diligence period. When we get that inspection report, it's typically fifty to sixty pages long. And then there's usually twenty-five to fifty items that the buyer could ask for the seller to address, either by making a repair or providing cash towards a repair in the form of closing costs.

Usually that money is not just given directly to a buyer to make repairs, or it's not given to a contractor [to make repairs]. That becomes another round of negotiation. You're under contract, but you're not done until you get through due diligence and all that is agreed upon and decided upon. There’s a form that the buyer and seller come to terms with and they sign called the due diligence request and agreement. Once that's done, then you really do have just about a week or so after that period to close. And generally everything is done, it's just a matter of waiting for the closing date. But that period of due diligence is kind of agonizing. For the buyer, it's a little stressful. For the sellers, it's extremely stressful because they don't know what the buyer's going to ask for. They do have a chunk of money that they know keeps the buyer's hand in it, but something could always go wrong. Once those inspections are done, any repair issues that they note in the inspection report become material fact. And if that transaction were to fail or to not close, those material facts would have to be disclosed to the next buyer or the seller would have to go ahead and make the repairs. So, you've got a situation where you're now exposed to issues that you may not have known were there. And you have to either fix them or at least disclose them. It becomes a really stressful situation.

Carolyn Chen: You mentioned that the introduction of this due diligence period was part of a contract change. What exactly was that change? What brought on that change?

Judi Margulies: What prompted it—and, actually, I've complained about it to the North Carolina Real Estate Commission because the amount of money that's become a part of this transaction is out of control—what they explained to me was, when they introduced the due diligence period, it was to try to eliminate a lot of controversy or a lot of lawsuits or people going to court over issues with inspections or repairs that weren't done to their satisfaction on the [part of the] buyer. We were trying to eliminate sellers making repairs on behalf of the buyers, and we were trying to work this contract so that the buyer would be interested in taking a cash concession so that they could get the repairs done to their satisfaction after closing. That was one part of it.

The other part of it was…[previously,] it was more of a contract written to protect buyers. During that due diligence period, when there was no due diligence fee or during the time they could get their inspections, sellers had their houses off the market for all practical purposes, but they didn't know if they had a real sale until they got through the due diligence period. It was very unnerving to the seller. They felt like they were taking all the risk. So, they interjected this due diligence fee to try to level the risk factor for the buyer and the seller. And it was okay while the terms, the due diligence fees, were reasonable, like $1,000, $1,500. But once they started getting—I've seen due diligence fees of hundreds of thousands of dollars. Hundreds of thousands of dollars. That's strictly because of the lack of inventory and the number of multiple competing offers. So, buyers recognized right away, “Oh, if I give them this amount of nonrefundable money, it's going to make my offer stand out.” And that's exactly how that changed. It was done to try to protect the seller, but what it's done is it's put a great deal of pressure on the buyer.

Carolyn Chen: Stepping back a little bit, how would you characterize the state of the mortgage and real estate market when you first got started?

Judi Margulies: It was difficult. Because in 1987, when I first entered the market, we were in sort of a slump and a recession at that point in time. Interest rates were high. They were like 10% to 12%. And we had to be very creative in ways of helping people qualify and purchase homes. They introduced mortgages that were staged where they started out as a certain rate, and they could go up a certain number or percent, maybe within five or six or seven years. It gave buyers a way of getting into a home, but their mortgage could change over the period of the time they were there. That was a very creative way of dealing with a high interest rate at that time. I didn't know that it was a difficult market.

I got into the business, worked really hard. I didn't have my first sale probably for the first nine months of the business. Thankfully, I had resources. People should know if they go into selling real estate, they need to have financial wherewithal to withstand some time before they can actually cash a check. I was fortunate in that regard, and I was able to tailor my business around the hours that I needed to work with my children who were seven and ten. And that was helpful. The weekends, my husband worked part-time, but my parents were around, my in-laws were around, so they helped out with my children. Yeah, it was a difficult time because the interest rates were very high.

Carolyn Chen: You mentioned that at the time one of the main mortgage products you saw were these mortgages where the rates would change over time. What were the other main players or products that you saw?

Judi Margulies: There used to be…assumable mortgages with FHA [Federal Housing Administration], which is a government mortgage, a government loan. At that point in time, it was still allowed, if you had the cash. Say a mortgage had been in existence for a period of time and it had been given to someone at 12%—I'm sorry 7%, back in years before the rates went up—and you had, say, $15,000 or $20,000 of cash to make up the difference between their equity in the house. If you could do that, you could assume their rate of 7%, which is exactly what I did in the first home that I bought. And that helped us get into our house that probably, we would never have been able to purchase. But we were able to scrape together the $15,000 that gave us that ability to assume. Now, the assumable FHA mortgages went away. The mortgage industry did away with that completely. I forgot the timeframe, but it was somewhere at the end of the ‘80s, early ‘90s…I've dealt with the market when rates were as high as 14% or so and as low as 2.5% or so. Obviously, the lower the rate, the more buying power the buyer has. What I caution people now is don't get too...We've had a very low rate for a very long period right now. And so, having a rate of 3% to 4% is really still very low historically. The younger folks in the market think it's terrible if their rate goes up to 4%, but that's low in history. I try to caution people that rates tend to go in a cycle. And they will go up again. I don't know when, but they are saying possibly next year. And that will affect the buying power for the buyers that are looking at homes at this point.

Carolyn Chen: In the years leading up to the crisis then, what were the changes you were noticing in the mortgage and real estate markets or with interest rates?

Judi Margulies: The rates were somewhere stable. They stabilized somewhere around 7% to 8%, and then they went down to somewhere around 5.5% to 6%, which we considered pretty good considering what we've been through. We were very concerned, and I will say, as a consumer and as a realtor, my concern about the mortgage industry at that point was [that] buyers could get a mortgage if they had a pulse. That's all they had to have. They were supposed to have these ratios that protected buyers from overbuying, but they were not really helping. They were finding loopholes and ways to get around that. There were a lot of mortgages that were 0% down. That was very concerning because people had no equity in the home, and they were buying houses that they really couldn't afford. People were getting into homes, and they couldn't even buy furniture.

There was a lot of that, and we were very concerned. And it did happen. It finally did come to a crisis. I remember vividly when it happened…Our market in Raleigh and the Triangle, generally, is a very conservative appreciation rate; 3% to 4% is about the amount that we would see on average in a home in a year. Now, there have been periods where it would escalate well above that, but generally, up until the crash of 2008, I would say, "Oh, the Triangle is recession-proof. We've never had prices dip or values shift below the actual current market value. They may flatten. They may stop appreciation for a while, but they don't drop." Well, guess what? In 2008, they dropped. Not as significantly as other markets, thankfully. Our price range, our market rate values, probably dropped about 10%. There were markets where market values dropped 30%, 40%, 50% or more. So, we were kind of protected that way, but it was a wake-up call that we were not immune to everything that was affecting the rest of the world.

Carolyn Chen: Were these changes in the wider market affecting business practices among real estate agents in your industry?

Judi Margulies: Yes, I guess we had to really be careful. We were encouraged to make sure our buyers were not only prequalified, but we were encouraged not to get in a car with anyone that wasn't at least prequalified and even better to be preapproved. And the difference is the kind of background and information that the lender gets from the buyer to help them assess their buying ability. I could tell you that my brokers-in-charge would say, "You don't want to put a person in your car just to ride them around. You need to know if they're really capable of purchasing." And I always made sure that they talked with a lender prior to getting in the car to look at the actual property and even before I even started sending them listings. Because I wanted to make sure that the price point that we were looking at was doable, was comfortable. And just because you qualified for a price doesn't mean that's comfortable. A lender would often qualify you for higher than what you really should be spending because to them it's just a number, a range. But [you] need to really figure [out] how you could live based on not just your mortgage, but your utilities, and how you live, and other things. You have to take all that into account. So, I tried to be very cautious and very selective about the mortgage lenders that I let my buyers interact with.

Carolyn Chen: On that note, as a real estate agent, what professionals in the mortgage sector would you be interacting with? You mentioned mortgage lenders. Would there also be mortgage brokers or other individuals?

Judi Margulies: Yes, all of the above. Now, I will say this. Allen Tate is a full-service company, so we have our own mortgage component, Allen Tate Mortgage. And they are a mortgage bank. They're a banker, not a broker. The difference being [that] it's a little stronger than a broker as far as their guidelines and as far as their guarantees on the mortgages. But they also are very, very competitive. I will refer people to my mortgage company with Allen Tate as well as an outside mortgage lender just to have a comparison. I don't want to steer anybody to just one entity because my first responsibility is to my buyer that I'm representing. It doesn't matter if Allen Tate has a mortgage component. It's not the only thing that they should be considering. We all try to do our best. I have been through several lenders in the years I've been doing this, but I stuck with the ones that I know do the job, are honest, give the best service. And service is important. That's what the people really want and need.

Carolyn Chen: How do you usually discern which mortgage lenders or brokers to work with or to recommend to your buyer?

Judi Margulies: I would say the ones that are the most responsive, first of all. The ones that follow up with a buyer and stay in touch with them throughout the transaction, not just passing it off to their underwriters immediately or to their processors. Someone that is accessible 24/7. I mean, I'm accessible. If people need to buy a house on the weekend, they need to find if that mortgage lender is available to talk to and counsel them. If I need a letter from a lender, I want to know if I can get it any day of the week, not just on the weekdays. So, as different as banking may be, where you walk into a bank [and] it's only open on the weekdays, lenders are different. They have to be available 24/7. I look for that communication, their history in terms of their professional experience and how I see these transactions go, how smoothly they go. The minute I start having a lender that is not responsive or steers my buyer in the wrong direction, or I find an issue that, say, something comes up the last minute that shouldn't have happened, that they should have known in advance—that's when I start looking at other options. I don't want any surprises at the end for them because whatever happens to my buyer is a direct reflection of me, since I've referred them to those lenders.

Carolyn Chen: Across the years, especially in the years leading up to the crisis in the 2000s, were you noticing any practices changing within these industries for mortgage lenders?

Judi Margulies: Just that they were way too loose on their guidelines and what their expectations were from buyers. I think they were way too lenient on buyers. [They were] doing these 100% loans. I think too many of them were too quick to do them. They were giving buyers way too many options to purchase more house than they really could afford. And that's what I noticed. And I was concerned about it, but I mean, I couldn't make changes there.

Carolyn Chen: You mentioned that you would often be referring lenders or other people to your buyer. For yourself, how would you typically be finding business? Was it also through referrals or maybe online marketing, some other methods?

Judi Margulies: A lot of different ways. I was doing a lot of mailing marketing when the mailings were a popular way. I did a lot of that for many years in neighborhoods that I knew. I had moved twice, so I knew neighborhoods. I wanted to keep in touch with those sellers and those owners in the neighborhoods that I had lived in, plus the neighborhood that I currently live in. So, I had a marketing campaign that was a beautiful every-other-month newsletter that gave them the statistics about what was going on in the market. And of course, things became more digital as time moved on. I had to switch from sending people mailings by mail to now sending email updates more.

We have a market report that's done online, and I can help people keep up with the market in their communities. I do that still. I do get a lot of referral business because as you obtain more buyers, then they become sellers. And then those people that you've helped, if they like what you've done, they refer directly to you. I also have a relocation department as part of the Allen Tate company that refers business to me regularly based on my productivity, on my ability to service those people that they send. I have started specializing in the last few years more so with the downsizers and the empty nesters because that's my age range, my experience, and my expertise. I not only help people buy, find homes to move to, I help them get their homes ready to get on the market by helping them find a company that I use here in Raleigh. It's also a company that's nationwide, I believe, called Move Elders with Ease.

I will put them in touch with people that will help them get their things organized, distributed, sold, donated. And then I come in with a stager to help them figure out what do we need to do to get the house in top shape to show for photos because the photos are the main focus of people's search. They're all online now. I'm very involved in getting their homes ready even though the market [has] fewer houses and there's more buyers, you still have to present the homes the best that you can so that you get the best price. I've…almost been a general contractor. This last home that I have under contract here in Raleigh…that entire house had to be painted, carpeted, some repairs had to be done. A lot of things had to happen before they could actually take photos and get the house on the market. So, you start reaching out to different vendors. Thankfully, I have a good list of vendors that I've used. Also with my team, we exchange information. And other agents, we will reach out and ask for if you need a window person or just whatever is needed. But I've got a good list, a good group of contractors that I work with.

Carolyn Chen: So, in terms of referrals, typically these are coming from buyers and sellers that you're working with more so than any of the contractors or lenders?

Judi Margulies: The longer I'm in the business, the more so I depend on those direct referrals. I would say over 50% of my business is direct referral. It's people that know me for some reason, or the organizations I've been a part of, or people that I've sold or helped list or helped purchase. That's what I depend on. And I stay in touch with all of those people. I try to send out not only the market report, but once a year around Thanksgiving, our team does this pie giveaway right before Thanksgiving. This way we get face to face with people. We send them out an Evite, and they can choose either an apple or a pumpkin or a pecan pie. They actually come to our office and pick it up. It's a wonderful way to say hello, happy holidays, gets things rolling for the holiday season. And they so appreciate it because it's one last thing they have to do. Things like that. We're looking for other ways that we can interact with our buyers and sellers that we can keep in touch that way.

Carolyn Chen: As a real estate agent, over the years, have there ever been any incentives to make decisions or provide results in a way that would ensure you continue to get referrals?

Judi Margulies: Yes, I mean, there are plenty of companies like realtor.com and Zillow that do offer you referrals that you have to pay [for]. You pay so much for a zip code that offers you first dibs, supposedly, on leads that come into their website. Unfortunately, my experience with those has not been very good. And I found that I've spent a lot of money, and I finally last year decided to stop because I was spending a lot of money for referrals that were dead. Dead beats. They were people that were sent to me, but they thought I was the listing agent of the property. It wasn't that I was the listing agent, that was just the name that came up on their referral list.

And I wasn't the only person they were referring that way. It turned out I was one of dozens of other agents that they were sending these referrals to. So, they might have already connected with somebody by the time I got in touch with them. I found it to be—now, some agents have made a business, a career, with those kinds of referrals, but you have to act on them instantly and a lot of it is luck as to whether they're really interested and really qualified buyers or sellers. So, it's a give and take. I've decided to stick more with the direct referrals if I can, or with communicating somehow digitally. I also have a campaign that is called AdWorks. The company has given us an ad that we can generate to buyers or to sellers. It's a less than thirty-second, maybe a twenty-second little video that talks about what I do for them as a buyer agent, what I do for them as a listing agent. And it pops up in their social media. It pops up on the websites that they're searching. So that's what I've been using my dollars towards more than the referrals from realtor.com and Zillow and agents like that.

Carolyn Chen: So earlier, in the 2000s before some of these new online ad technologies really took off, what were the kind of incentives then to try to make sure that you were still getting referrals at the time, maybe the direct referrals?

Judi Margulies: Well, I had to probably look for more of the company referrals. When companies move into the area, Allen Tate was one of several companies that had the kind of manpower and agent reliability that they could handle relocations. That comes with a cost. You get a referral from your company, there's a 30% or 40% referral fee that goes back to that company that referred them to you. So, there is a cost, but it's business you didn't have. Before the digital age, I would say more of the direct mail is what I was using. That was probably my biggest expense, and that's where I put my dollars before the digital.

Carolyn Chen: Shifting gears a bit, what did regulation or licensing look like for your industry when you first got started and were those practices changing between then and the lead-up to the crisis?

Judi Margulies: Oh yeah. So, when I first got my license, it was a salesman license back in 1987. I didn't have my full broker license until 1995 or '97, but I still had a salesman license, which means I had to work under a broker. At that point, it was York Properties, and then it was York Simpson Underwood [Realty]. But the test was still a very difficult test. We couldn't do it online. It was done in a classroom, and it was done at Wake Tech [Wake Technical Community College], which was a huge facility, and people would show up there. I'll never forget sitting next to someone at the same site. He was cursing and screaming, and he walked out. Over 50% of people that took the real estate exams did not pass the first time.

I've known people to take it seven times. Not that it's impossible, but it can be difficult. I took review classes with a special trainer that taught the update courses. I found it beneficial to take a two-day cram course to help you focus on the highlights of what you need to do for the exam. And I did that over a weekend prior to taking the real estate exam. Now what's changed—we always have had to have continuing education. So, we have to have eight hours: one four-hour update course, which includes all of the changes in the industry, whether it's with mortgage or insurance. Everything is inclusive in that four-hour class. It's offered in lots of places in lots of different time slots. You can take it with just about any company that offers it. There's also an elective, a four-hour elective, where you can choose a topic that you might be more interested in. But both of those courses count towards eight hours of the continuing ed.

Now, after a certain point, I'm guessing closer to 2000, they offered just the broker license. It was no longer a separate salesman license and a separate broker license. But to become a full broker—you were considered a provisional broker when you passed that first broker's course exam. And then after you got your license, you still had to take another, I want to say, sixteen or something hours, maybe more, maybe thirty hours of class to become a full broker. And so, I have people on my team that have done that. They came to me as provisional brokers, worked under me and under my broker-in-charge. And now during the time they've worked, they only have like a two-year window to finish those final hours, however many hours it is, to get their full broker license. And that's the difference I would say. We had two types of licensing. Now it's one, but you still have more courses to take to finish it.

Carolyn Chen: For [those] less familiar with these distinctions, would you be able to briefly explain the differences in services a broker versus a salesperson would be able to provide?

Judi Margulies: …A salesman license allows you to sell real estate, to transact, to go through all the steps of selling and listing property. The thing is you do have to have your license with a management broker. So, it has to be a firm like Allen Tate with a manager, with a broker-in-charge, that oversees all of your activity. If you are a full broker, you can do all of it without having that oversight, having someone oversee you. The thing is, you could also start your own business that way. So that's one of the main distinctions. What I will say is, there's a difference between being a real estate salesperson or broker and a realtor. And the difference in being a realtor is you belong to a board of realtors. You pay dues throughout the year, and then you have certain privileges and responsibilities as a realtor. That actually is a little bit higher distinction than just being an agent.

Carolyn Chen: As a broker, were there any kind of legislative changes at the state or federal level over the years that you were paying attention to?

Judi Margulies: Yes. When we would go to our update classes every year—and I tried to take mine early fall, right after the classes come out to get them over with. You have until June, I want to say 10th each year, to get all of your hours completed. I try to do mine early in the year. But every year when there's an update class, they will come out and say, The North Carolina Real Estate Commission has now added this stipulation, or this has to be, you have to set aside these requirements. So that's where I learned all the changes that are coming.

Carolyn Chen: In the years leading up to the crisis, do you recall what legislative changes were really being talked about?

Judi Margulies: Well, that was a while back. I can't say anything specific legislatively. If you asked a person that was involved in tax law, they might tell you that different tax laws did affect how people purchased and what they were allowed to do. I know capital gains taxes changed, went away. They were there, then they weren't. What you could write off in terms of the amount of taxes for what you own. Investment properties: there were laws that did not incentivize people to buy—maybe there was a lot more incentive for people to buy investment properties before the crash. And then that kind of went away after. So, there have been legislative changes, but more so that would've affected from a tax perspective.

Carolyn Chen: [In] 1999, North Carolina had its predatory lending law or its Mortgage Lending Act, which mostly affected mortgage lenders or people on that side of the business. But did any of these legislative changes have trickle over effects that impacted your work as a real estate agent?

Judi Margulies: If it did have any effect or impact, I would say it was probably buffered by the people that I trusted in the mortgage industry. Because whatever was going on legislatively that affected them, I made sure I was dealing with people that were reputable. I had one transaction that taught me a lesson back in the ‘80s, probably early ‘90s. A lender told me that they had authorization to do FHA loans, which meant that they had to have a special license for that. And I had a buyer that was buying a property, and they were going to do an FHA loan. And the lender, at the last minute, I'm telling you like twenty-four hours before closing, disclosed that they didn't have that certification. And the loan was going to have to start over [as] a different type of loan. And I was furious. Of course, I lost the buyer. We lost the property. Then of course I lost the buyer because they had no confidence in me at that point. It was an outrage and an outright lie. I complained to the mortgage institution that they worked with because I had trusted this person based on the referral from another agent. It wasn't that I knew them personally. They gave me the referral as somebody they trusted, and I used them, and then I was burned really badly. So, I just had to be really careful about trusting the people that I chose to work with my buyers. I guess that's how I was buffered from a lot of the, I didn’t have to know so—Here's the way I look at it: somebody is going to confide in you about purchasing a home. I look at it as…I may be their counselor, but I may not be their doctor.

They're not going to give me as much information as they're going to give to their mortgage lender. That's who has to have the real nuts and bolts of their buying ability and all the details, including their W2's and what kind of income they have. So, I turn that over to a professional just like I expect someone to turn to me as a professional in figuring out which house is the best investment for them. I try to stay away from that and let the lender do their job. I'm not saying I can't qualify somebody, but it's really better to let the lender do their part because they're going to tell them more than what they're going to tell me.

Carolyn Chen: How did you perceive the increase in state and federal regulation enforcement for mortgages at the time? Did it affect your ability to handle situations like the one you talked about?

Judi Margulies: I think what happened was there was a period of time where the legislation and the mortgage industry was very lax. And then they went into an extreme opposite direction. It was like almost from the sublime to the ridiculous. At one point, you could buy a house with a pulse and then you couldn't buy a house if you had almost all cash. They scrutinized every way they could. If you had money, you had to show where it came from. You had to validate exactly how it was procured. It was extremely arduous, as far as the process. It went from one extreme to another. So, I felt like that is where I felt buyers were—and if you hadn't bought a house in a few years and all of a sudden, you're facing a lender and now you're getting questioned.

First, they start off with the questions that they need to get you preapproved. Then when you start the process, they're going to ask you for more information along the way. Some of these buyers are packing, and they're moving, and they don't have access to all their documents, but they better know ahead of time what they should hang onto because they're going to come back and ask you for everything again and again and again. It's actually very frustrating and taxing on the buyers. They hated the process. It got to be so difficult. So yes, I did notice that.

Carolyn Chen: I think you mentioned a little earlier that you would really rely on lenders to do their job, to look at qualifying borrowers and things like that. I think you mentioned earlier in the interview that at times there were some lenders that would just qualify anyone with a pulse. So, [what was] your way of discerning which of these lenders you would have to trust and how to trust their [judgement]?

Judi Margulies: I would say, let me first ask the questions to the lender that I'm talking with, "What do you use to qualify people? And what kind of questions have you asked?" Because I don't want them to go out and look for a house and fall in love and then be told, "Well, you could qualify for that home, but you probably won't be comfortable in that home. Or you might qualify." I don't want to lead somebody into something [where] they're going to get their heart broken. So, I would ask a lot of questions up front, and then I would rely on other agents that had used lenders that they felt that they had had good responses with. Consistency is really one of the key things I look for.

Carolyn Chen: I believe you belong to both the National Association of Realtors and the North Carolina Realtors trade associations?

Judi Margulies: Yes.

Carolyn Chen: When did you first join, and how involved are you in these trade associations?

Judi Margulies: Well, I'm not on the board of any of these. I'm not involved on any kind of capacity where I go to meetings or anything like that. I just pay my dues. I feel like my involvement with my community and my children—I have six grandchildren—I probably should be doing more. But I do find that I'm not a very political person, so I do pay my dues towards supporting people. And I do vote for the support that I want, but I haven't actually served on any of those committees myself, unfortunately. But I've been a member of all of them since the beginning.

Carolyn Chen: In and around the crisis, do you remember what these groups might have been advocating for, the issues that they were most focused on?

Judi Margulies: Yes, there's a group that we pay donations to. It's a group that supports realtors, all of us. They're lobbyists, actually. So, if there's a situation or an issue that is going to affect our buyers or our sellers to a point where we don't want [that] legislation to affect, we will use that donation…They used to come after us and ask us for donations. Now, when I pay my dues at the end of the year, which is about $450 for the year, then they ask for a donation towards that lobby group. I go ahead and pay that. And I'm happy to do it because they have actually kept things from being affected that would really be a disservice to my clients.

Carolyn Chen: …You mentioned that these lobbyists have really helped prevent some things that could have really affected your buyers. Do you remember some examples of these potential changes from maybe around the crisis?

Judi Margulies: Specifically, there was a point, I forgot which year, where taxes were going to be levied on sellers. Typically, sellers pay, in North Carolina, a tax which is levied on the sale price, the purchase price of the home. And it's just automatically paid by sellers. There was a movement, and builders were trying to do this, to put that tax on the buyer. We felt that was unfair, and we asked our lobbyist to squash that. I think they were able to do that. Now builders have a different way of getting around some of these things. Some builders have still gotten buyers to pay that real estate tax, which is unfortunate, but builders have their own contracts too. We have no control of their contracts. So, it doesn't have the same effect when you have a lobbyist group working on your behalf if the builders have their own contracts and their own rules.

Carolyn Chen: These lobbyists looked at legislation involving taxes, would they also have been looking at things involving mortgages at the time or credit extension?

Judi Margulies: Yes, I think so, but I think there's a different group that may be involved more or so with the mortgage end of it. We are dealing with things that would affect a person's taxation or the rights that a buyer has in terms of ownership. And those are the things I think our lobbyists look at more so than the mortgage part of it. Believe me, there's a whole different entity out there for the mortgages.

Carolyn Chen: To what extent, if at all, did figures within your industry or among people you were working with outside your industry express concerns about the changing nature of credit extension during the 2000s? Did those concerns lead to any significant debates or changes in business practice?

Judi Margulies: Yes. Well, there's just people that really are conservative or they're gamblers. And then there’s people that are willing to take advantage of those business practices that we thought were dangerous. They're going to do it no matter what. But my husband is a very conservative business owner, and he would say to me, and we would talk about this frequently: “How does that person get a mortgage on a million-dollar house when we know they couldn't put a stick of furniture in it?” And there were more foreclosures during that downturn also. And that affected other parts of the country a lot more than it did our market, but it did happen. There was a lot of discussion. We talked about it a lot, but I think that people have an attitude of whether they're going to take advantage of a lenient environment or they're going to be cautious, which is their nature. It's just human nature whether you're going to do something. You can't convince people how to think. So, unfortunately, I think the changes that came about went into such a different extreme because people weren't willing to make those changes willingly, they needed to be forced.

Carolyn Chen: I believe you also have a Short Sales & Foreclosure Resource certification, right?

Judi Margulies: I do. I would say I've only used it a little bit, and thankfully I haven't had to. I unfortunately had to sell my niece's home, which was my mother-in-law's property that she had given the land to her granddaughter to build. Unfortunately, she went through a very unfortunate divorce and financial disaster, and she ended up selling a short sale…That certification, all it did for me was tell me what I needed to know. But then to get me through the process, which was extremely time consuming, I hired a person who specialized in that because otherwise I couldn't have done that. It was a full-time job, just getting all the documents, keeping on top of all the entities that needed to be. It was really stressful and time consuming. So, I felt like it wasn't in my best interest to keep doing that repeatedly. If I needed to do it for a seller, I would do it, but it's not something I would do just as a practice. I didn't enjoy that part at all.

Carolyn Chen: 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?

Judi Margulies: My feeling is that the mortgage industry became way too lenient. People blindly followed what they were allowed to do and paid the price. And we all paid the price in the long run. I think that there was, if you want to call it fraud, but I think that there [were] lenders [who] were giving people the impression that they were qualified for things that they really weren't. And that was the unfortunate thing that led to a large part of that crisis. I'm sure there was a lot more to it than that, but that was from my perspective of people on an everyday basis that I was seeing.

Carolyn Chen: To what extent do you see your personal experience as adding something important to our understanding of what happened in the run-up to 2007 and 2008?

Judi Margulies: I try to counsel people from the perspective of what I've seen could happen and what people might not understand can happen. I try to be very conservative and tell them, “My goal isn't to help you buy the most house you can, it's to help you find the home that you're most comfortable in, and that it serves your purpose and your needs, but you can still afford.” I tell people to rely on good advice from counsel, from people that I recommend. If I recommend them, it's because I trust them, and I think you can too. I think that my experience seeing what has happened over the last couple of decades has helped me counsel people more effectively because I can say, “Look, you can do this, but look what could happen down the road if you do this.”

I try to look at it as a big picture, and I do think that helps. Especially first-time buyers. They don't know much about what they're getting into. They really rely on me for every part of it. They want to know: Where do I get my mortgage? Where do I get my insurance? What are the red flags in any house or in a transaction that I should be looking for? And I tell them, “Don't buy a house that you're going to have to go back and put another $20,000 that you don't have. Let's find something that you can live in and be comfortable in that you don't have to spend a lot more money.” It's important to know what their means are, to try to pay attention and to listen to what they are wanting and needing.

Carolyn Chen: Looking back on the crisis over a decade later, what do you see as its most important lessons for realtors, lenders, and state level policy makers?

Judi Margulies: Just to be very cautious and make sure that people understand what they're getting into, that lenders that they're working with are giving them the whole picture, and that the services that they offer are really there. We don't want somebody getting into a transaction that they're going to get stuck at the end with questions that have to be the answer that they can't close. It's very important. I think that people need to know it's more important than ever that we use reliable, trustworthy companies that we refer people to with integrity. That's the most important I think right now.

Carolyn Chen: Is there anything we haven't touched on or asked about that you'd like to add?

Judi Margulies: No, I just think that I would like to say that this is an industry that's changing all the time. That's why we have update classes, and that's why we have to keep our certification up to date. But it is extremely gratifying when things work out. I had someone ask me recently because of the number of years I've been doing this, how is it that I haven't quit? I said, “Well, there have been moments. And there's a moment every once in a while, sometimes more frequent than others, where I say, this is not worth it. But you know what? In the long run, when you have that one buyer, that one transaction, where everything works smoothly and everyone's happy, everybody goes to closing with a smile, that makes everything worthwhile. Then when you see people grow into a home, and then they grow out of the home, and they have to move to their next home—it is very gratifying. It's like you're helping them move their lives forward.” I've had situations where people have passed away. I've had to deal with estate sales, all kinds of situations, families that don't have any idea what to do. The house is vacant. Nobody lives there. Their parents have died. What do we do now? I like counseling. I like leading people through the transaction and the process. And I think that's my education background coming forward. So that's all, I mean, I think I just found the right niche for myself.

Carolyn Chen: Thank you so much.

[END OF SESSION]