AMERICAN PREDATORY LENDING AND THE GLOBAL FINANCIAL CRISIS

ORAL HISTORY PROJECT

Interview with

Dave Park

Bass Connections

Duke University

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PREFACE

The following Oral History is the result of a recorded interview with Dave Park conducted by Sarah Walker on February 21, 2022. 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: Darielle Engilman	Session: 1
Interviewee: Dave Park	Location: By Zoom
Interviewer: Sarah Walker	Date: February 21, 2022

Sarah Walker: I'm Sarah Walker, an undergraduate student and member of the Bass Connections, American Predatory Lending and the Global Financial Crisis team. It is Monday, February 21, 2022. I'm currently in Durham, North Carolina for an oral history interview with Dave Park [via Zoom], who has been working in home inspectorship since 2006 and currently owns Advantage Inspection. Thank you so much for joining me today.

Dave Park: Thank you for asking me to.

Sarah Walker: I'd like to start by establishing a bit about your background. I believe you obtained your degree in construction management and architecture at the University of Florida in 1982. Is that correct?

Dave Park: That's correct.

Sarah Walker: In the context of your work life, when and how did you first become involved with residential home inspection?

Dave Park: I got involved with it in 2004-2005. I was accustomed as a home builder here in Raleigh, North Carolina starting in 1988. The global crisis that happened with the financial world pushed me from the home building side of the business into the home inspection side of the business. That was my first taste of it, but it started just to be a project or another business. I had owned many businesses over the years, I was an entrepreneur and home inspection fell right into the construction business, mortgage industry, appraisal business, things that I had been involved in for many years. And it was another part—the entrepreneur inside of me looked to start another project, and that's where the home inspection business started.

Sarah Walker: How would you characterize the state of the real estate market when you first got started?

Dave Park: Absolutely awful. The financial crisis, whatever happened in the banking industry—people have called it many things—really put a damper on the way people purchased houses. From my perspective, being a builder, we actually had a number of houses under contract, and the houses back in that time, they were $700,000 to $1 million. And the way people purchased property or their loans—stated income, I guess, was the term that was used back then. Well, once that went away, all of a sudden, houses that I had for sale—those people couldn't buy those houses anymore. People that were heavy in assets and didn't really want to disclose where all their money came from. When those programs went away, the only thing available to them were normal, conventional loans. It threw a shockwave across the custom-building business and the home building business across the board. So that was my first really impact of what happened with the crisis or the banking industry. In 2006-2007, I had four houses under contract, and I lost the deals on all four of them.

Sarah Walker: Did you see a change in the type of homes or home improvements you inspected over time, and did you perceive that to be related to changes in the mortgage market?

Dave Park: I don't think the banking industry—what happened in 2006—really affected home inspection as far as what we saw. I think, as far as technology or procedures involved, made the change. I think the biggest impact right away was that the type of houses that were inspected, since construction slowed, and some people weren't able to finance or weren't able to buy or lost property. Not only did the banking industry start a recession in that respect, people lost houses. The types of houses that were being inspected were not in very good shape. Little house of horrors is kind of a funny term—go back and look at the movie. But we felt that the type of homes that were being inspected for sale were just poorly maintained and in poor condition. That's a direct reflection on people that couldn't afford the houses and they couldn't maintain them because of the financial crisis that piggybacked on top of the banking problems.

Sarah Walker: Before the crisis in 1999 and 2001, North Carolina passed legislation to protect homeowners from predatory mortgage lending. Were you aware of any of those developments?

Dave Park: No…I was not aware of that—not off the top of my head that I could say they passed those. It wasn't on any type of bulletin or CE [continuing education] or anything that we were given as home builders as I was building back then. No, I couldn't tell you that that was passed as I was not involved in the mortgage industry during that time. So, no, I was not aware of anything.

Sarah Walker: As a home inspector, what sort of relationships did you have with realtors, mortgage brokers, or lenders?

Dave Park: Most of my relationships—almost all of them really—were with real estate agents. Lenders, very few. Most lenders that I was involved with were on a national level. Builders like Lennar [Lennar Corporation], Ryan Homes, much bigger builders, were able to still build, and they used FHA [Federal Housing Administration], VA [U.S. Department of Veterans Affairs], HUD [U.S. Department of Housing and Urban Development] financing and we were approved HUD, FHA, and VA inspectors. So, most of my contacts with the lending agency or with lending companies were actually with or in contact with the bigger builders that were using them for new construction. Smaller lenders, mainly that was for modular homes or mobile home lending. They tended to need a connection for engineering work or construction background, to have an inspector look as the lower end pricing of homes was being turned over first before the higher end was.

So, during that time, that's kind of the relationships that I had. Very easy with lenders, very few, but mainly were national lenders. Then real estate agents—since I was a builder here since 1988—I had known so many. I was in contact with a number of agents. North Carolina is a buyer beware state, and the agents pretty much do a great job with their professionalism and in working with clients and offering advice, giving them direction. We were fortunate to have—partner is not the right term because we work for the client, but many agents knew who we were and what we did and having the builder background. Most home inspectors weren't builders. Most home inspectors were not general contractors or builders as we were, so we had a really good database of realtors that we had worked for and that we could teach. They would learn from us. We were able to share information and be positive all the way through the downturns and the upturns.

Sarah Walker: How would you say your previous experience working as a builder impacted your experience and work as a home inspector? What kind of unique perspective do you think that gave you on the job?

Dave Park: The real part about it is, an inspection itself is a visual snapshot in time of the house. Most inspectors are taught visually what to look for, but if you don't really know what is behind the walls—you very well might be book studied and know what's behind the walls—but if you've really never seen how a house is put together, piece by piece, part by part, having that experience to know when you do see a deficiency. Deficiencies can start at one part of the house and end up causing an issue on the other side of the house that you may not even be aware of. Knowing the way the pieces and parts are put together gave me, definitely, an advantage, not only with the reporting that we did, but it also gave me an advantage to discuss and teach our agents and teach our clients about how to maintain and take care of the house.

Being a home builder, when you finished a new custom house for somebody, or you finished a production house, you would have a walkthrough or your superintendent would walk through, and you would describe the maintenance, the features, how the house operates, how it breathes, how it lives, how to take care of it. Most home inspectors really don't have that kind of a conversation with a buyer of a house. They point out the deficiencies and what should be fixed, but without having a conversation on the next level. It is over and above what a home inspector is required to do, but in that sense, it really gave us, being builders and myself being a builder, an advantage over others from a knowledge standpoint. We became a resource to many—not only clients, but many realtors that had just a multitude of questions.

And my being in both parts of it—I was also a licensed real estate agent—I was able to communicate better [about] not only the deficiencies [but] what could have caused them, what could happen if they're not taken care of, how they can be repaired, and provide peace of mind and guidance to not only the client, but the realtor. So, I think having the perspective of both sides, not only building them, but inspecting them, gave not only me an advantage but gave our clients a better position to help maintain and take care of their houses.

Sarah Walker: In what ways, if at all, did you notice practices within the real estate sector changing during the early 2000s when the market was booming?

Dave Park: When markets have that type of effect on the real estate world, and things are just kind of out of control—which is kind of a funny way to put it—but everybody is running here and there, and they're just trying to make the best deal that they can work. People are fighting over houses—not quite like they are today. It's a different animal today. In the early part, even when IBM [International Business Machines Corporation] moved here—now this is before, in the '80s, IBM and American Airlines opened a hub there and we were building—I'll tell you what home builders did. We put sold signs up even though the houses weren't sold because I didn't want the phone calls. My phone would ring from the day I broke ground until the end if I didn't have a sign up.

So, we actually tried to slow it down because we weren't ready for that. It was too much. It was just too much of a push. Every realtor was fighting for every deal that's out there because builders can only build so much. People that were living already in their existing houses, where do they go? If they can't move into a new house, they're not going to put their house in the market. So, inventory was restricted back when we were having a frenzy as we have now. It was the same way when we were booming back in the early 2000s. It was a frenzy again. There was just no inventory. People were coming to the area and where do they go? So, prices continued to go up.

The appraisal business could not keep up, so houses didn't appraise. When they didn't appraise, it was a different characteristic. We talk about lenders and appraisers because at the time, the contracts in the real estate game were totally different. Due diligence money was different. There were clauses and contracts that if houses didn't appraise, that there was a way for sellers to recoup their money that they would put down. When the prices of houses go up so quickly, and the appraisers can't keep up, then the lenders can't make the loans that they need to make all the way through. So we then saw changes in the real estate contracts. Contracts for real estate purchases changed, and they had to evolve. Also, because of the different prices in the homes being escalated so quickly, the loan products had to change. The conventional ways that we sold houses from a mortgage standpoint weren't the same way you could sell them anymore because the appraisal and the value of the houses got so far out of whack that conventional lending didn't work.

We saw traditional bankers who were lenders. All of a sudden, now we had brokers offering all kinds of products because bankers couldn't offer those anymore because they didn't meet federal regulations. The frenzy starts. People start buying. Prices go out of hand, and then the traditional lending methods get thrown out the door. That's where the new methods came into place with stated incomes, not providing the taxes and the tax returns and, really, the traditional steps that most banks would make. Lenders and brokers were able to find money that didn't have all those steps. So that's the way it progressed. We generally would go to BB&T [Branch Banking and Trust Company] or Central Carolina Bank [Central Carolina Bank and Trust]—which is no longer here—or PNC [PNC Bank] now, but it used to be Triangle Bank.

There's so many different bankers that we used to borrow our money from to buy a house. Nobody goes to BB&T or SunTrust [SunTrust Bank] or PNC. You don't go borrow money to buy a house anymore. It's all brokered out. So that was the beginning of the brokers that really came into town during that first frenzy in the early 2000s. Then, of course, 2005, 2006, we saw it flip upside down, with the banking issues and the lender issues. Then the appraisals the same way. All of a sudden, they [put a] stranglehold [on] the lending procedures all the way through, and it truly put a damper on construction in our area.

Sarah Walker: How did you, or do you, typically find business? Is it through referrals, online marketing, or another method for your business?

Dave Park: For the business I have now? In general, it's building relationships. There's a multitude of different ways. We build our business. Number one is relationships with our agents—providing them opportunities to meet us, to know us, to learn what we do, to see our products. Number one, that is a relationship. Number two, there is online information that we provide through our website. Although, typically relationship-building is 80 to 85% of your business. Online business is 10 to 15% of your business. So, again, clients come to the real estate agents to buy houses, and the real estate agents can provide options for them, whether it's insurance or their lenders or their home inspectors or all the world of things that people have when they buy a house.

You're looking for a specialist, and you want to limit the liability not only for the real estate agents, but for the client themselves. The better the inspector you use, the better they can present their information, then the better everybody can make a decision. I think that's where we came into play with our relationships. We were builders. We were home inspectors. We're real estate agents. We understand the process, the feeling all the way through. We know how the emotions run up and down. We were able to share that with our agents and our experience in the way we present our program. The state of North Carolina licenses home inspectors, and they set minimum standards that you have to meet. Nothing that says you can't exceed those standards, but there are minimum standards.

So, all home inspectors in North Carolina are licensed. They all present a report. The report has to have certain things in that report in order to meet your state licensing or you get in trouble. There's no reason why you can't exceed that. So, I think that's where we use our relationship building to share, “This is how we exceed that.” How do you get that point across? How do you drive somebody to your website to tell that? How do you drive the general public? General public doesn't really care until they're ready to buy a house and when they're ready to buy a house, the agent then comes out and pulls out six pages of all these things you have to do.

And it's just like when you would go to the dentist. You're going to ask the dentist, “Well, what's the next step?” “Well, let me give you to a specialist to look at that abscessed tooth that you have. Or let me send your children to a specialist to put your braces on.” The dentist is going to send you to whoever they have a relationship with and who they feel is going to take care of their client the best. It's going to limit their liability.

Well, it's the same way in the real estate game. If you present yourself to the agents who have worked with you, met you, and know you, and realize that you are the best out there from a specialist standpoint—from the way you present items, the way you share your information with your clients, that you don't alarm people, that you're just a fact presenter, and you're just helping them make a decision. It's not your decision as a home inspector, it's the decision as a client. And we want to provide that client with as much information as possible so they can make the best decision possible. I think that's really where it comes from with what we do.

So how do you get that point across? It's much harder to get across online. You can blog about it. You can get on social media about it, but who reads about it until it's time for them to buy a house? And at that time who really guides our buyers today? A real estate agent has so many responsibilities to guide the client, to make the best decision for them. That's their oath. That's their role. That's their license. It's not to sell and make the most money, it's to guide their client to the best decision they can make. And we want a partner. We want to be that part of their team, per se, even though we don't work for them. We do want to be part of the people that they would recommend that clients call us. Go online and check us out.

So, they both go together: relationship first, online [second]…When it went online, it was the Yellow Pages in the ‘80s and the ‘90s. There's no Yellow Pages anymore. So, if you're going to find out about somebody, you can go online and look at them. You can look at reviews. So there's a lot of ways to check out your inspector, but how do you know which? If you're moving into a new neighborhood, you don't know your neighbors yet to ask them which home inspection firm to use. And if your friends haven't bought a house, who do you ask? You don't ask your mom and your dad. You can go online and search, but anybody can—now I can make my website look like I'm the greatest thing since sliced bread. [You have] all these reviews and everything else, but it's really word of mouth. You want that referral…COVID has been a mess, but I think most of us want to give good information. We want to be a resource to our friends and our family, and we want to be that person they come to.

Who do you trust when you're buying your house? Your realtor is the first person you pick. And then from there you're going to trust that realtor, and most realtors are super professional. They have not only one inspector, but three inspectors that they know are professional with. Then they guide their clients: these are the guys that are the best in the business. Call them. Take a look at them. Sometimes, one's so busy, they can't get to you. You got to have a number two. You've got to have a number three. Most realtors have that book of business. They have their vendor list from carpenters, electricians, the roofers. They're a huge resource for their clients, and we want to be part of that. We're the agents so that we can share that information.

Because again, they don't have time to go research online and look at all 11,175 pages of home inspectors online. How much research can they do? You meet somebody in person, you can tell. I mean, you meet your friends, you know whether you like them or not. There's always that gut feeling—how do they talk? How do they present themselves? What do they look like? What do they sound like? How long are they been in the area? There are so many questions you can ask of a home inspector to determine whether they know what they know. But if you don't get a good feeling from them right away, you're going to go on to the next person. So, shake hands—you look at me. I look at you, and we make a discussion. And if we're a fit, we're going to be great working together to protect the client—both of us to protect their client.

So, I think relationships is the number one issue…[that is,] our marketing is our relationships with our agents. And number two is a little bit online. We don't do pay-per-clicks. This area is intelligent enough to understand that anybody can pay Google for a pay-per-click. You can…not be a very good inspector, and you can pay, and you can be on the front page of Google. I'm sure glad they put that little symbol that says ad on there. Most of us are intelligent in our area—our Triangle area is really highly intelligent, as with all the universities and Research Triangle Park and everything that's around us—[people] understand that anybody can pay to be on that ad. So, you really want to click on that ad that somebody's paying to be on the front page? Or you look organically, and you look at reviews. That's how I see our business has evolved over the years. It's the internet: you've got to be on there. You have to have a place on there. But when it comes down to it, it truly is relationships, as with any business, and I think with our business, it's that important.

Sarah Walker: I know you touched slightly on this earlier, but what did regulation or licensing look like for your industry when you first got started? How did you see those practices change between then and the lead up to the crisis?

Dave Park: When we first started, fortunately, I didn't have to go through the requirements to be a home inspector as I had other qualifications. I was already a licensed general contractor. I had my degree in construction management from the School of Architecture, University of Florida. So those type of backgrounds enabled me to bypass so many hours, so many inspections. I already had a background. All I had to do was pass a written test. So, that's kind of how I got into it. For me, I didn't have to go through that.

As we became inspectors and started inspecting, and this was in the early 2000s, there was an apprentice program that was in. So, we started hiring inspectors through the apprentice program. New people to the business would come in, and they weren't allowed to take the test to be a home inspector, but they could go take the apprentice test, which is much lighter, but it allows them to get into the business and start being an apprentice, working and learning the trade. After so many inspections, we would sign off on that. Then that inspector and trainee apprentice could go in and then take his license. So that was a way for him to go through and get into the business.

After 2006, 2007, when the housing business crashed—I guess you could say through the banking part of it—they did away with the apprentice program. Now all you're required to do is 120 hours of class time, and you could go take the test. Unfortunately, when the housing business shrank to very minimal, inspectors that were in business, where did they go to work? Where would they go to make money for their family? They would leave the home inspection business because they were truly one guy and one truck. Most inspection firms were. We were very fortunate with the business background that we had, the capital we had. I wasn’t just a one-person operation. But most inspectors today are still one-person operations. So when the market slows down, where do they go? What do they do if their realtors aren't selling houses and aren't recommending them, what's their next steps? They had to go find a job somewhere else.

We saw our numbers across the state of North Carolina almost cut in half from—I want to say it was—580 inspectors down to 298. It was just incredible, the amount of them that had to leave the business because there wasn't any business here. And then all of a sudden after we went through the recession, all of a sudden, the next frenzy comes on. Well then how do you get inspectors back in business? Well, you hope the ones that were working come back. And so there were some part of that year, but then they started to ease restrictions as far as how to get in. Then they came up with 120 hours of school, and then go take your test and go out and be an inspector even though they didn't have any experience. So that was a way in order to try to get people who wanted to be in the field, to give them an opportunity to get in. Did it mean they were ready to be home inspectors? You pass a test and you're ready? You haven't done any inspections. I'm not really sure who's going to hire you. And the question is, “Oh, you got a newer inspector? Great. Well, how many inspections have you done? I've got this $500,000 inspection.” You're really going to hire a guy that's just right out of school, that's never done anything? I don't really understand that part of it, but again, states just regulate -- you pass a test, your license, and we're not doctors. But there is a test. So, you pass the test, they say you're competent to be a home inspector. But experience is everything when it comes to being a home inspector. It's one thing to be licensed. It's the next thing to have experience.

But the only way for the state even to make that happen or to help that happen—because we had such a need for it—was to give a venue for people to be home inspectors and not have to go through an apprentice program where you actually learn the trade before you became licensed. So they just opened it up for people to be licensed. So that's how the state had to regulate or try to open up regulations to let the market increase with inspectors into our area.

Was it good? I don't know. Was it bad? Yeah, probably some was bad, and probably some was good. There are some people that will pass the test, and they'll be great inspectors, and they didn't have a construction background. There's other people that just said, “Wow, this is a great time to get in the home inspection business. I'm going to go get my license, and all I have to do is pass the test.” I hope that most of them would try to go find somebody to work with. Well, if you're a home inspector, do you really want to bring your competition? They're going to work for you for six months and then go out and work for themselves.

People had a hard time working for other home inspectors because it was a concern that somebody would come in, learn the trade, get to know your realtors, and then put their shingle up someplace else. Even though the state opened up the door to get your license, it was still hard for them to get their foot in the door.

We saw through a lot of attrition. Current inspectors or current firms that made it through or were strong enough to get through the downsizing, through attrition, they grew very rapidly. That's why the single guy inspectors that were out there, they had to work much harder to get in the door, to keep working, to put food on their table. I talked to tons of them, and I would tell all of them… “Don't quit your day job. Find a way. Find somebody that will teach you. Keep on doing your thing. We need home inspectors. We need good home inspectors. We don't need the profession to go back to be a trades profession.” I say that with all respect to all trades people, but we're not used car salesman.

I think the idea for this is true for the profession. We're generalists. We know a little bit of everything, but we're not a specialist at any one thing. You really can't find somebody with that type of knowledge, to look at a house for $400 that somebody's spending $1 million for. Where does it come from? That's kind of the way the licensing had to work. The state had to open up a vehicle for people to get through the process. The apprentice program took somebody so long to get through—so many inspections on a part-time basis—before they were ready to go and be an inspector that they changed their regulations to allow licensing.

Now the test isn't easy, so don't think you just go up and sign on the dotted line, and you're going to pass. The passing rate was incredibly low. It was in the 30s, 30 to 40%. It wasn't like somebody could take it one time and pass. Some people take it two, three, and four times. They offered it every quarter. A number of people I heard take the test three, four times before they could pass it and be prepared to and go out and be a home inspector. That was the state's way. Since it was a regulated industry, how else do you get in? The state wasn't reciprocal. You couldn't be an inspector in South Carolina, Virginia, or Tennessee, and all of a sudden come to Carolina and work. The state didn't reciprocate the license with anybody else. It was a grow-your-own. If you weren't licensed and you weren't built here in Carolina, you could not get a license. You had to work your way through it. Licensing was much harder to start with, and it became much easier. That's kind of where we're at today. You are allowed to get your license, but they don't teach you how to run a business. You may get your license, but the school of hard knocks teaches many people how to get their license.

Sarah Walker: In 2007 and 2009, North Carolina enacted legislation like the Residential Mortgage Fraud Act and the Safe Mortgage Licensing Act, which tightened up regulation of the residential mortgage market in the state. Were you aware of these legislative changes?

Dave Park: We weren't aware so much of the changes. We knew things were happening. The President of that time put some things in place on a national basis for the banking industry. The state of North Carolina actually came out with bond programs to help buyers purchase houses because lending practices [made things] so hard to get a loan. It just got to the point where it was strangled not only from the appraisal business but the lending business also. So we knew changes were made. Could I quote and tell you what was in the legislation? No, since my industry wasn't the lending industry. Being a home inspector full-time at that time—we were aware that things were happening. We understood that bank failures were a problem. The federal government was dealing with it on a national level, on a local level, the state was dealing with it, too. So, we were aware that there was regulation that continued to tighten. It just got tighter and tighter and tighter. It [put a] stranglehold [on] the community itself from a lending basis and brought things much more in line. There was no looseness.

Today, lending is very loose. Not as loose as it was but it has loosened up some, which it needed to in order to put things through the process. Things continued to tighten up and we were aware that state and federal level restrictions were being put on and highlighted not only the lending industry but the appraisal industry at the same time.

Sarah Walker: To what extent, if it all, did people within the home inspection business or people you worked with, like agents, express concerns about the changing nature of credit extensions during the 2000s and the loans that were being given to people?

Dave Park: I think in the early 2000s, the lending process, being as loose as it was, was never thought to be a deterrent. If you are a realtor in that time and you had a buyer, you were going to get them financed. There was somebody, some program, something out there. They had programs that were buydowns. So if the rate was at 7%, they'd buy it down 5% the first year. So it started at 2 and then it went to 3 and then it went to 4. They had to qualify at the 2% for the first year, even though the loan after five years was 7%. If you had a ready and willing buyer, financing was not an issue. You weren't really worried on the financial side—unless somebody had a bankruptcy in the last two years—if they were living and breathing and wanted to buy a house and had a W-2 [W-2 tax form] paycheck and the IRS [Internal Revenue Service] didn't have a lien against them. I think if you were breathing, you're buying.

They didn't talk that way. That's not the way it was talked, but it was understood that the lending practice was not a deterrent to a house. There wasn't any concern whether somebody could afford the house or not. The idea was in place where, here were these programs to get people in houses. We needed to move. People wanted to move into houses. Raleigh was growing. It was a kicking place. The whole Triangle was moving and grooving in the early 2000s. So how do we get people in houses? Well, people wanted to sell. People wanted to buy. Lending was much looser, very creative. That's probably the wrong word, creative.

Some people came up with some creative programs on the lending level, and not only were the people that purchased those houses creative—that's the only way they could get in: to be creative. But the problem is nobody looked out for the client at the rear end of it. The idea was that hopefully they're not going to be there for 2, 3, 4, 5, 6, 7—that they would then refinance within a couple of years because the lending practices that were out there would then have another epiphany on how to refinance it and put these people through another cycle so they can stay in their houses, and they can stay afloat. And of course that didn't happen. That's really what it was.

Lending was the secondary thought. Your client wanted to buy and had said he qualified for it. It was a roundabout number. “Hey, I'm making $35,000.” “You could buy $225,000 house.” They didn't really care about your secondary options, what car payments you had. It was just, “What was that roundabout number? If this one lender wouldn't do it, I've got this lender. If this program wouldn't work, we've got this program, and this is how we work it.” In many cases, that was the only way to get somebody in a house, and those people appreciated that that was their home. They didn't want to be a renter anymore. They wanted the ownership. And there's something to be said about homeownership in this country. The United States is the greatest country in the world when it comes to homeownership. That's part of the American Dream.

We sell it every day. They sell it on TV today. They're going to sell it: “That's part of my property, my piece. You can't take that from me.” That's all part of what was rolling around in the 2000s. Everybody wanted their piece. Everybody was buying. People were selling, and there was money being flipped over. And it was all good, except you have the downturn in the economy, and what happens? Those people, when the interest rates started changing, their payments started going up. Their income wasn't exceedingly going up at the same time. We got into the banking crisis that we had and realized that—predatory is an awful word—but the lending practices that were being offered were not beneficial to clients for their long-term health financially even though it worked in the short-term for them to have that four-doors and a picket fence. Long-term, it wasn't the best thing for them. And that's why we tightened things up.

Sarah Walker: …Over the last decade, we have seen a number of narratives emerge to explain the financial crisis. How do you understand what caused the crisis?

Dave Park: I look back at it, really, on the cost of money. I think it's representative to where does the Fed [Federal Reserve System] control the monetary policy, how it moves through the banking system. And then was it the banks that created the issue? The banks were backing some of these mortgage plays. Where did that money come from? The brokers. Banks were having, not off-book policies, but…you weren't going to a banker to get money. How does a banker make money? If a banker can't lend your money on a house or can't lend you money to buy a car or boat, how does a bank make money? They don't. They have to lend on assets. They have to grow their asset base.

And so, all of a sudden, people quit going to banks to borrow money. How did banks [make money]? Banks funded financial institutions because they were the money behind those banks. Banks were a condition based on the financial market, the federal government, and the policies that they set. Banks weren't able to be as loose with the money as brokers, and so brokers were being funded by third-party banks to grow their assets and buy a book of business or buy a book of loans that will work its way through. Then once the economy got in trouble, the banks got in trouble. The brokers sold the client the loan and then bundled them up all together and then sold them to the banks so that the banks had them. Since the banks couldn't lend normally, they had to take risky loans in their portfolios. It just caught up with the banking system and got caught up with working through the system that the federal government. [It] started federally, though we don't talk about it as a federal issue. It really worked for monetary policy down to the local banking level, which then moved into the brokerage level, third-party lending, which then worked its way through back to the banks. The banks and Wall Street both ended up holding bad products.

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

Dave Park: I think the biggest thing from a personal level is being able to share with family and friends—especially our younger generations—to talk about what happened. Because today, lending is loose—it's not as loose as it was but it is still loose. I don't share with a client, that's not my business on what they're buying, but I think to share with people that ask the question to me. I'm a resource for that issue, not only for my children to know about it but anybody else that needs to know about it, to be able to be a resource and tell them, "Let me tell you what happened once before and what I see now, what's going on now. It's wonderful to own a house. It's another thing to own a house and then have to give it back up. To make sure that—we all have to live. We all have to make a living. We all have to take care of our families. Let's not overburden ourselves for the American Dream, because it will be there. The houses are going to be there. Maybe now's not the right time." I think [that's] what I can share with the younger generation because they've never seen it. The younger generation doesn't even know what a recession is. They hear the words today, "A recession's coming." They have no idea what a real recession is. They didn't go through the dot-com bust, and you weren't around then either.

Between the dot-com bust and then 9/11—God bless all of us for getting through that and making through that mess, and then [we] went right into the banking recession. Most people just don't remember those things, and they haven't been through them. When I was in college at the University of Florida, interest rates were 21%. If I told anybody that's under the age of forty that interest rates were at 21%, they'd probably think I'd been drinking all day long. History has a tendency to mirror itself sometimes, and maybe not to a certain extent from one year to the next, but I think it's the responsibility of all generations to share the information, whether I'm sharing it with you now, or I share it with my church, my family, friends, anybody that asks me. They need to hear all sides of it. You're always going to hear the side of the lender today and your realtor today, but you need to hear all sides of what's happened. People that have seen the good and the bad and what comes up and just prepare people to make the best decision possible—for not only themselves, but for their family.

Sarah Walker: Looking back on the crisis over a decade later, what do you see as the most important lessons for mortgage originators or home inspectors?

Dave Park: I think for mortgage originators, and I think the really good ones understand, that you can't overextend your client. Be realistic with your client and where they're at. Yes, your client can spend—there's numbers. I think it needs to be 32 and 55%. 32% you could borrow up to your monthly pay check and 55% overall. There were two numbers that they would use in there, and that was maximum.

Why do we have to max everybody out? So what if you can afford a $500,000 house? You really need to have that burden on somebody when they would be happy with a $300,000 house? That sounds kind of funny today because today's market is kind of upside-down, but I really think [for] the mortgage lenders and the realtors, if you're truly taking care of your client, put them in what they truly need and not truly what they can afford. I think that will help everybody's way of life from the way they take care of things to the way they treat others to the stress that we all run through today. I think lenders should be in that same type of mindset. The information people tell lenders they don't even tell realtors. Lenders are asking you questions like “Let me see your tax return. Let me see your W-2s.” Real estate agents don't ask that, neither do home inspectors. Lenders have a lot of information that realtors don't have about their clients. I think there is a responsibility from a lender to make sure they ask the questions and, if possible, bring in the realtor to help. Those two should work together very strongly all the way through.

From a home inspector’s standpoint, I think the lesson that we learn is to be prepared. This roof is twenty years old? A new roof's going to cost $15,000. You love the house. You want to be here. Start putting $100 a month into a savings account because at some time, this roof is going to fail. If you love the house, then buy it. The roof's still working but five years from now, you’ll need a new roof. Be prepared for the new roof. If you don't have one dime and you can't save a penny, what happens if something breaks down? I have to give that advice with a tongue-in-cheek today because that's not my decision to tell somebody how to buy a house. But when they ask the question—and we all hope our clients ask us the questions about the report and what to plan for—then that opportunity is to share and provide them with information to prepare themselves for homeownership.

Many clients don't ask that question of me and the ones that they do, again, we're not alarming. We share that information. You need to know that this is what's going to happen. This is where you're at. This is what homeownership is about. Especially your first-time buyers—there's so many people clamoring at them for everything: Lowe's, Home Depot, Target. Everybody wants a piece of the new buyer. The average new buyer spends $7,800 in their first year of [homeownership] buying stuff for their house. Everybody wants a piece of them, and I understand that everybody's coming after you. We only have you for a short three hours when you come to a home inspection, so [we’re] happy to share and be that resource and be that guiding light when they need us. We don't prepare our inspectors to be that guiding light up front because the realtor really is the lighthouse. The realtor is the one that is supposed to guide their client. But when it comes to repairs and taking care of their house and maintenance, most realtors then open the door for us in order to share our information. That's where we take what's happened in the past, move it to the forward, and we're able to share, not about what happened in the past, but to make sure they prepare for the future.

Sarah Walker: …Is there anything we haven't touched on or asked about that you would like to add?

Dave Park: …Back in 2005, 2006, 2007, the internet wasn't the popular place it is today. We didn't have the Zillows of the world, and we didn't have the iBuyers of the world or the iSellers. We just didn't have those things. Now people can make their own decisions without having to hire a real estate professional. Although I don't understand why—it's like you're going to go work on your teeth. It's a profession, and it should be well-respected because what the professional agents that are out there today, what they do for their clients. People don't understand all the things they go through. It's the same way with home inspectors. We're a generalist. We know a little about a lot of things and not a lot about one thing but we're able to provide that opinion. I think today, what we've learned in the past is that somebody really does need to be guiding the clients. Realtors have learned from the past. Lenders have learned from the past. Home inspectors have learned from the past. People that have been in the industry have learned from the past. But without having that guidance of that professional, you open yourself up to the world of what you find online. And you can find both sides of every quarter or of every dime online—truth or untruth. When you leave a buyer or a friend to do those things on their own without hiring a professional, I'm concerned about those clients. In today's world, how do you share that information with them?

If they don't see a program like this or they don't go online and search the right words—and you know as well as I do that you can search something, and the wrong stuff comes up and some things are just too good to believe. The iBuyers are the people that aren't using professionals. They really need to take everything seriously from their lending to whatever they're purchasing to the information because it's not all in one place. It's in multiple places. It's much easier to find it when you have somebody leading you through it, to guide you where you should go. When you don't have a guide and you have to do it yourself, I think it takes longer. You have to be smarter, and you have to take your time. And in today's world of instant gratification, even in buying houses today, minutes matter. People pass on the knowledge that they should have. Many times, they run into an issue that if they would've just taken their time and taken that one extra step, it would have eliminated stress in their life that they just shouldn't have today. There are too many other things to worry about.

The professionals today need to be there. There's a market for everything but that's where I see the differences. How do you share that information learning from the past going forward? I worry about the people that don't hire a professional to help them through the process. Worry is not the right term. I think that's starting to be a missing part of it more and more because of the accessibility of information. We think everything written on the Internet's true. That's my take right this minute.

Sarah Walker: Thank you so much.

[END OF SESSION]