AMERICAN PREDATORY LENDING AND THE GLOBAL FINANCIAL CRISIS

ORAL HISTORY PROJECT

Interview with

John Ryan

Bass Connections

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PREFACE

The following Oral History is the result of a recorded interview with John Ryan conducted by Neha Vangipurapu 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: Ryder Buttry
Interviewee: John Ryan
Interviewer: Neha Vangipurapu

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Neha Vangipurapu: I'm Neha Vangipurapu. I'm a Junior at Duke University and a member of the Bass Connections American Predatory Lending and the Global Financial Crisis team. And it is December 15th, 2021. I'm in Cary, North Carolina for an oral history interview with Mr. John Ryan, currently President and CEO [Chief Executive Officer] of the Conference of State Bank Supervisors who has joined me via Zoom. Thank you so much for joining me today.

John Ryan: It's great to be here.

Neha Vangipurapu: I'd like to start by establishing a little bit about your background. I believe you went to the University of California, Berkeley for your bachelor's degree in political science and economics. Is that right?

John Ryan: That is correct.

Neha Vangipurapu: I saw that you did a little bit of work with the U.S. House of Representatives with the Banking, Finance and Urban Affairs Committee. And I was wondering, could you describe your role at the House of Representatives?

John Ryan: Sure. So that was 1989 to 1990 into 1993. I was a young staffer and at that time staffers on the committee were very seasoned and spent their careers working on and in committee. So, I really was relatively young in my twenties, pretty fresh out of school for my undergrad at University of California, Berkeley. I worked at an incredibly interesting time, so I worked on two subcommittees. My first boss was Congressman Rick Lehman from California and he chaired the Consumer Affairs Subcommittee. And so I supported his work there. And then he moved to another committee and I worked for another subcommittee chair, Tom Carper of Delaware who is now a Senator from Delaware. He was the House member at large for the state of Delaware and chaired a subcommittee of banking, another subcommittee.

The work that I did at that time was young support staff work. Initially I took the things that others on the staff didn't want to do. I worked on issues related to oversight of the Bureau of Engraving and Printing and U.S. Mint and things of that nature. But I also helped support our staff and my boss in major legislation. There were other leads on his staff on this, so I was supporting. But in 1989, Congress passed major reforms in response to the Savings & Loan Crisis of the late eighties and early nineties. And so I was there for that, with a front row seat, sometimes not entirely understanding what I was witnessing, but something major. And that was very clear.

I grew up in a banking background. My father was a banker, a community banker in California. So, you know, I understood the basics of banking, but it was an entirely new learning experience. That continued. It was kind of a rolling crisis. You had the Savings & Loan Crisis, which the federal government hadn't acknowledged how underfunded the insurance funds [were]. So, there was an equivalent to FDIC [Federal Deposit Insurance Corporation] insurance for savings & loan, and it was broke. And Congress, the administration, waited until after the presidential election to acknowledge how broken it was and that Congress was going to need to write a check to bail out the savings & loan industry and protect the insured accounts of savings & loans that continued into a crisis, not entirely unrelated, but not exactly the same, a commercial lending real estate crisis that affected the banking industry.

And so we had the risk of at least one of the largest banks in our country potentially failing and Congress then worked on second legislation. So the shorthand in banking is FIRREA [Financial Institutions Reform, Recovery, and Enforcement Act], an acronym, that's the savings & loan and the second one was FDICIA [Federal Deposit Insurance Corporation Improvements Act] and that was to reform banking supervision, the FDICIA Act. So, all these things kind of fit together. That was, it matters because it was a front row seat of seeing the relationship between industry, Congress, when things go wrong, what that looks like and how Congress can sometimes avoid recognizing and acknowledging a problem. And when they do it tends to be when it's fairly critical, at crisis level, and the response is pretty significant. So, that's the earliest part of my career and I've worked. So, I'm based here in Washington, DC. I'm in Washington, DC right now. And my career has mostly been in DC ever since.

Neha Vangipurapu: You mentioned a significant act that was passed in response to the Savings & Loan Crisis. Could you confirm again what year that was?

John Ryan: That would've been 1989. Okay. FIRREA, and then the next was FDICIA and I think that was 1991.

Neha Vangipurapu: So, moving on in the context of your work life, when and how did you first become involved with residential mortgages?

John Ryan: ... I had some experience around housing finance after I left the Hill. I did a brief fellowship at the European Commission in Brussels and I came back and I worked for a consulting firm and one of my clients was a major player in the housing finance space. And then another was one of the largest banks and biggest mortgage lenders in the country. So, I had some exposure to housing finance issues then, so that would've been, let's see, kind of 1994 through 1997.

And then when I came to CSBS [Conference of State Bank Supervisors] -- the mortgage issues were emerging fairly early on in my time at CSBS. We are an association, going back to 1902, of banking regulators -- the bank chartering authorities that charter state-chartered banks across the country. But the regulation of the mortgage industry had started to change with that failure of thrifts. And as a result, Congress created a mechanism to sell off a lot of these mortgages, which helped create the mortgage-backed securities market. And then that facilitated banks and non-banks replacing what had been pretty much a dominant thrift lending model to a diversified, dispersed, originate to distribute model. So, I kind of witnessed, I didn't know exactly what was happening around me at the time, but I saw the pieces of it and was aware of, certainly, probably not right when I was working on the Hill, but shortly after, the early predatory lending. I'm not sure we were even calling it predatory lending at the time, but of the mid-nineties, around the equity skimming, the fraud, [the] scams that were experienced [in] a number of places.

Massachusetts was a particular focal point for that. And I remember Congressman Joe Kennedy who chaired, I believe then maybe the Consumer [Consumer Protection and Commerce], the same subcommittee I worked for, holding hearings. So, you know, it was in the air <laugh> and definitely a topic of discussion, starting in the mid-Nineties, but when I joined CSBS, it started to become more of my job. And that's an interesting history in itself. How CSBS went from being, you know, exclusively an organization of bank regulators to an organization of financial regulators with an emphasis, not just on banking, but mortgage finance and non-mortgage finance.

Neha Vangipurapu: Could you actually go a little more into detail about that? What drove CSBS to take on this role as having more of a focus on residential mortgages and regulation?

John Ryan: Like any organization -- we're not your typical nonprofit because we're a convener and effective utility of state regulators and governed by state regulators -- but our members drove it and I can remember. So, I started 1997 at CSBS and I can't remember when the first conversation was, but it certainly started gaining real traction in 1999. States, a handful of states, were working together around a mortgage lender that they were discovering was engaged in illegal practices. And so our organization became kind of an unofficial convener. Our members were coming to our board meetings and having sidebars like, "Hey, I hear you're looking into this, we're looking into this." So, this became, there were, I think our Washington State Commissioner at the time, John Bly, Elizabeth McCall, who was the New York Superintendent at the time, a few others kind of gathered off to the side.

...Elizabeth McCall, the New York Superintendent, really was pushing for members to be able to rely on the ... infrastructure of CSBS to support them in their work, [to] coordinate work between state regulators and with attorneys general around mortgage fraud, mortgage enforcement cases. So, one of the earliest was Ameriquest. It got a good bit of attention at the time. I think there was, what was the program, like 20/20, or one of these investigative television journalism programs on it, and making the connections between Wall Street and this non-bank lender. So those were some of the earliest days.

There was a debate with members. Like, what should we be? Should we be everything that our members are, which is not just bank regulators, but the vast majority of them are also mortgage regulators, money transmission regulators, consumer lending regulators. Should we be some of this, focus on the one thing we've done forever, or expand into these other areas? And I have to say personally, I was like, "We're going to be stretching ourselves too thin. I'm not sure about this." I was at that time, moved up to kind of a mid to approaching senior level staffer in the organization. So, lots of discussions and debates. We had a couple of members who had been pushing and one in particular, a Commissioner named Gavin Gee from Idaho. And he had been pushing that we coordinate more around mortgage supervision, maybe have some common standards and that we do what he had been a part of in the securities world, which was create a licensing utility to support the states. So, he had worked with the SEC [Securities and Exchange Commission], states and the SEC with FINRA [Financial Industry Regulatory Agency] in creating a model, a securities brokerage licensing system that they all used.

And that was the model in his mind. So, we had members talking about with varying ideas and things that they wanted to do, but it took a couple years before it really gained traction. Couple other things happened at that time. So, the Ameriquest issue was significant. There were discussions about [the firm's] moving their license to another state to circumvent the action some states were taking, converting to a federal thrift. So, there was a recognition in our world, we all need to be talking to each other more. The consumer advocates had been asking for this since the mid-Nineties, greater coordination between consumer advocates, state, and federal regulators around lending practices and emerging bad lending practices. So that was kind of the 2000 timeframe.

And in 2001, related to securities fraud, as a starting point, the chairman of the committee that I had worked for, that became the House Financial Services Committee. They merged securities insurance, securities all under one committee in the late Nineties. Mike Oxley, who was Chairman at the time, had seen some, in their oversight, some really just horrific fraud, securities related fraud, and then turned into insurance fraud.[1] I think it was called the Martin Frankel case.[2] And he proposed a network of regulators, kind of. They didn't want to call it a database, but a network of regulators that would communicate with each other when they took enforcement actions or saw bad actions. It would connect between banking, securities, and insurance that then motivated us even more. Then the kind of focus on mortgage continued, big enforcement action in 2002. I think it was the largest enforcement action up to that time with Household Finance, then Household Finance was acquired by HSBC. HSBC converted, this is all in 2002, I think, to a national bank charter to escape the enforcement of further oversight of enforcement at the state [level]. So, lot going on at that time.

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[1] Mike Oxley a Republican Congressman representing the 4th congressional district of Ohio from 2001-2007. He was lead sponsor in House of Sarbanes-Oxley.

[2] https://www.gao.gov/assets/gao-01-990r.pdf

And those were all the seeds of the states coming together and saying, "We need to do something on this non-bank front." That ended up turning into something. We call it the NMLS [Nationwide Multistate Licensing System & Registry] today. That's recognized in state and federal law. And that started right around 2003, 2004.

Neha Vangipurapu: You mentioned that you and your colleagues at CSBS were having these sidebars about these issues with mortgage lending practices. To what extent did you and others in your organization see these changes in the mortgage market as they were occurring?

John Ryan: So, our members, you know, it was really our members, not the staff, who were seeing this and they were getting consumer complaints, seeing issues, probably discussions with their attorneys general in some of their States, through a variety of ways, consumer advocates bringing issues to their attention. So, it was really our members who were seeing this. And as a staff person, I was becoming aware because these conversations were starting to happen in our own meetings. And as I said, some key members who ended up being chairs of the organization were really interested in trying to come up with a state federated solution to some of these issues. So, how early, I would say? Our members were certainly earlier than at the federal level. And we as a staff earlier [than] at the federal level, certain things that I felt got dismissed.

And I think even in like the 2006, 2007 timeframe, by that time, we felt things were -- we didn't have great data around this, that was something we wanted to solve for. But we thought based on the anecdotes, we were hearing things were really wrong in the mortgage market. And we were saying that, before, you know, it was all qualified and somewhat cautious, but it felt a lot less cautious than our federal counterparts or what I was hearing in the industry. And I was speaking at meetings at that time. And then particularly like 2007 into 2008. And by that time, you know, this was a full-blown problem. And there were, by 2007, we were starting to have conversations, deeper conversations, with our federal counterparts, not just at the regulatory agencies, but in the administration, at the White House, at Treasury.

Neha Vangipurapu: So, shifting gears a little bit, how would you describe your role at CSBS and what was it like to work there in the period leading up to the 2008 crisis? And you mentioned that you had some interactions with federal legislators, but I was wondering in what way did you engage with decision makers within the state government as well?

John Ryan: I started CSBS in our legislative division in 1999. I became the Head of Public Policy for CSBS, so fairly quick. And so I was overseeing our legislative and regulatory function, but I had a background on the legislative side having spent some time on Capitol Hill and then working with Capitol Hill. So what was it like? It was, I really did feel like I had a front row seat to something that was emerging and a great source of frustration for state regulators as they weren't meeting with - there was not a shared sense of purpose between those most active in the states on mortgage lending issues, predatory lending issues, and our federal counterpart. We actually met active resistance to what we were doing and that all blends in between that kind of 1999 to 2000 through 2004, all the way up to 2007.

I became then Executive Vice President for the organization, the number two in the organization, somewhere in there. I can't remember the exact year and now I'm President and CEO. I've been President and CEO for 10 years. I became President and CEO in 2011. So I was not running the organization amidst all this. I have to say I had a great boss who was incredibly supportive of this work and the work that I was doing heading policy to help states and coordinate with states and resist some of the federal efforts to preempt the states. It was incredible. We felt like we had, as it kind of evolved and developed in the early 2000s, moved to a great sense of shared purpose. And probably, you know, some of the proudest moments in my career will be related to that and how the people I worked for, the state regulators, responded to this crisis.

So some context, we were a pretty small organization at the time. We were, I think, under 30, we're now at about 170 employees. And then we outsourced a lot of technology. So, we have grown a lot. Since then, we had money in the bank, as any association should, it was going to cost a lot of money to build out a federated system, a technology utility for the states to solve these problems of a lack of communication between and among states, despite their good intention, when they were seeing problems emerge, or they were revoking licenses for mortgage brokers, originators. So that was going to cost a lot of money. And our members decided, it was our leadership, that it was worth the risk of frankly, you know, the organization going out of existence, using all the resources it had, if it failed. They thought that was in the public policy interest, a greater interest to try to tackle this big problem, rather than ensure our future <laugh>. So, it was a huge moment. It was scary. And our members ended up having to borrow money to help fund this. It was a really interesting and challenging time.

But the problems they wanted to solve for [was], as mortgage lending moved out of banks to subsidiaries or affiliates of banks or non-bank lenders and originators who then may be funded by banks, it was all kind of an ecosystem, but they were separate entities, subject to separate regulatory structures or no regulatory structure. The state system was emerging to regulate those non-bank mortgage companies and originators and requiring licensing. The reason you require licensing -- it's short, it allows for an adjudicated process, outside the court system. And so there are qualifications to become licensed, and if you don't continue to meet standards, your license can be revoked. Instead of having to sue and take civil or criminal activities, you can revoke a license. States were spending a lot of time and energy on licensing these companies and revocation of licenses, like hundreds of them. But when it happened, unless you were reading the press release of each and every state, every time that happened, you didn't know. And so someone who had a revocation in one state would just move to another state. They might change the name of the company or some of the principals. We were looking to create a whole data information infrastructure around everybody in the business, and that when licenses were revoked, it mattered and meant something across the entire system, and states could communicate with each other. It was big, bold, and ambitious. If we'd known how difficult it was going to be and how much it would cost, we probably never would've done it, but it's one of the things I'm most proud of. It was huge.

Neha Vangipurapu: Were there any states in particular with flaws in state banking regulations that concerned you and your colleagues in the lead-up to the 2008 crisis?

John Ryan: So, it's not my job to consider the differences as flaws, but each state would look back and see there was an evolution in their laws and they were looking to each other and modeling their laws off of each other. This was a period of rapid legislative activity and there were a number of consumer groups that were focused on this as well, and had developed some model laws that states were adopting. So, I wouldn't point to weaknesses. I think every, all of the statutory authority, needed to evolve to respond to a market that completely changed because of the savings and loan crisis and the resulting securitization and what that enabled. We didn't have the right regulatory regime for that. Period.

And then it kind of evolved and evolved quickly. And then it kind of came to a halt in 2003 when the OCC [Office of the Comptroller of the Currency] preempted the Georgia Fair Lending Act. What that said was national banks, who at the time, depending on the market, probably had at least 50% of the market, in many states, that if you pass a law, then it will unequally apply. And we saw some significant conversions of banks from state chartered to federally chartered. And then we saw the OCC also extend its preemption to the operating subsidiaries of the bank that might not even be wholly owned. So, you could be partially owned by a bank and escape under the OCC's preemption theory, escape these evolving state laws for predatory lending. So that was a huge shift change when that happened.

Neha Vangipurapu: You mentioned the Georgia Fair Lending Act, but I was wondering just in general, were there any policy adjustments that CSBS pursued, whether it involved monitoring, enforcement, or changes to regulations that as you saw these changes in the banking and mortgage sectors play out? What were CSBS' policy recommendations to respond to these?

John Ryan: Our policy recommendations were federal facing. So, we were working with, you know, from North Carolina, Mel Watt was very active in pursuing at the federal level when the OCC preempted, of federal law modeled after state law.[3] So, we worked with them, and then the states were working much more closely together starting in 1999 and then on in coordinating their discussions around enforcement, kind of around on the same time. So, we were developing model

[3] Mel Watt is an African American Democratic former Congressman for North Carolina's 12th congressional district, from 1993 to 2014, representing Charlotte.

standards for licensing. What kind of standards did you have to meet to be licensed by a state and getting states to harmonize their licensing requirements? Not long after that, so also kind of mid-2000s, formed, and I'm not sure the exact date, but a nationwide cooperative agreement around mortgage supervision on how states would coordinate exams and enforcement.

So that was happening at the same time, forming a coordinating committee called the Multi-State Mortgage Committee. That was a creature of this. So, there were a lot of activities. As a part of the federal legislative predatory lending response, we had outreach directly from Spencer Bachus, who was, at the time Chair of the House Financial Services Committee, following Mike Oxley. And he was interested in talking to us and addressing problems of mortgage broker, mortgage originator fraud. And that became the basis for the SAFE [Secure and Fair Enforcement for Mortgage Licensing] Act, which he, and then Barney Frank, came together on in a broader package of a predatory lending law, which didn't become law until the passage of Dodd-Frank, the predatory lending piece, but the SAFE Act became part of law in 2008. And we worked hard with Congress to get that piece in, which created national standards, national definitions around mortgage origination, the things that could get you banned from the industry, creating a regulatory infrastructure that's federated, state, state-federal. So, all the pieces can communicate and talk to each other and similar, if not, near identical standards at the state level, some differences between bank and non-bank, actually higher requirements on the non-bank side, all non-bank mortgage originators are required to pass tests, that demonstrate an understanding of state and federal law, regulatory requirements, et cetera.

Neha Vangipurapu: CSBS emphasizes … dual regulatory roles of the state and federal governments. Leading up to and during the crisis, did you see any cracks in regulation and communication between these two spheres of regulation or on the other hand, were there any positives that you think might have helped both states and the federal government respond to the crisis?

John Ryan: So, both. It started off as mostly cracks and active hostility towards the states and their role. And it was kind of, you regulate your world, we'll regulate ours, without acknowledgement that what you do over here affects over [t]here and vice versa. So, there were definite cracks in the system and I don't think it was playing out to the benefit of consumers. And so that was something, when it came time for Dodd-Frank and the creation of the CFPB [Consumer Financial Protection Bureau], we spoke about a lot. That we needed a reset on the state-federal regulation toward better consumer protection, a better consumer experience. So, there were definitely cracks, but it wasn't all cracks. Some good discussions opened up with the FTC [Federal Trade Commission] in the early 2000s, but they were even limited in terms of what they could do.

[There were] some points of friction with the Fed [Federal Reserve]. But I would say for the most part, it was better lines of communication and looking at banks and bank holding companies and their role in mortgage lending and subprime mortgage lending. But it clearly identified a need for, what I now refer to as network supervision, this federated approach, where we're really sharing information, able to share confidential information with each other, supervisory information, enforcement information.

I do think that the passage of Dodd-Frank, as imperfect as some of these things are, did help the creation of the FSOC [Financial Stability Oversight Council] to create a mechanism for communication. The CFPB, the way the language was drafted, is really required to work with the States. And one of the very first things that they did, and Elizabeth Warren was an interim director, so she helped facilitate and lead this, was establish an MOU [Memorandum of Understanding] with the States of how we were going to work together, a collaborative framework that became the model for all 50 States to sign. And then somewhat of a model with the work that they also did with and do with the attorneys general.

But [there were] definitely some real cracks in the system. It's one of these things that you don't necessarily think is within the regulatory spheres, anyone's fault, but that we need to be talking to each other and paying attention and respect each other's perspectives. So, when the States starting in about, 2003, 2004, started talking about creating this networked federated system that became the NMLS, we recognized we need to work with all sorts of constituencies -- consumers, regulated entities, et cetera.

The States also recognized they were going to have to change state laws to be able to reconcile some of the differences and create this system. There were some who participated on the industry side, who really were more interested in getting insight into how they could be obstructive to our goals rather than helping achieve them and were actively obstructionist. Well, we found out, you know, later. So, so one of the stories of the financial crisis, that's just a, a key moment for me is we were trying to do this, improve the state system. It became the popular thing to do to blame everything on the non-banks, and “it's all the mortgage originator's fault,” when really you needed the financing and all the infrastructure of Wall Street and the banking, large banks to make this system work, but it [the non-bank part of the system] became the fall guy.

Well, we're trying to approve that piece of it, and not only were we not getting help, some of the biggest industry players are actively working against us. Move that to 2007 into 2008. And I'm going to get to another story about kind of the fractures in the system. But by 2007, we're really building to launch. The States are considering implementing laws. We started talking to Congress, as I mentioned before, about what became the SAFE Act. So 2008, we launch the NMLS summer of 2008. The SAFE Act passes as part of a larger package. Following 2008, comes the financial crash and meltdown and TARP [Troubled Assets Relief Program]. One of the entities that was most actively working against us at the state level, trying to get states not to adopt the laws that we needed to create this framework, became a recipient of TARP funds. And so effectively the Federal Government was unintentionally funding lobbying to erode our efforts to fix the problems of the mortgage system.

And that became the subject of a *Wall Street Journal* article, some Congressional oversight. One of our sponsors who got the SAFE Act passed in 2008, Senator Feinstein of California, proposed for a brief moment that no recipients of TARP could lobby at all. So, it was a whole thing, but one of those moments, to get back to another one of those points of friction and fractures in the system. In 2007, Tom Miller, the Attorney General from Iowa, started contacting some people, my boss included, and I became part of this conversation to convene stakeholders, regulator and law enforcement stakeholders in the state world and federal, to talk about mortgage lending, predatory lending, subprime lending, mortgage servicing issues that we thought were going to just hit a wall.

So, a group formed. And I have to say around the same time, Sheila Bair, chair of the FDIC, also had formed some groups and discussions and round tables, on what was happening in the subprime market and the potential for disaster. Tom Miller hosted the first of those meetings in the spring of 2007. Out of that came, and I was part of this discussion, recommendation for continued meetings in the fall, directly with the subprime servicers. So, we had two separate meetings, also in Chicago, with the biggest subprime servicers. And out of that came a discussion. We see problems happening. The servicers said, "Well, we don't think it's going to happen quite like that." And as a starting point, [we said,] "We need to know if we're going to be seeing all these foreclosures, this becomes our issue. It has significant consequences on state and local communities, even if it's, you know, legal foreclosure. We need to understand what's going on."

We developed a reporting template for those servicers out of those meetings, which in person they agreed to…. [But] a handful of them were national banks, [and] then came a letter to actually, I think Joe Smith, as Bank Commissioner in North Carolina. And it may have just come to Joe Smith, saying we prohibit our banks from providing this information from you. That is a violation of 19th century law, court decisions around the supervisory authority of state versus national banks. And so we were effectively blocked from seeing sooner how these problems were merging, and it made it more difficult to do some of what we did. But we pressed forward with those that fell under State jurisdiction and created this public reporting model that went on for another year plus, before the federal government stepped in and the OCC stepped in and did anything. So it was actively blocking our efforts to understand what was going to be happening in the mortgage markets around foreclosure.

Neha Vangipurapu: Mr. Smith is actually one of our team leads for this project, and he's actually a professor and he leads our, he works with our team, so I'll have to ask him about that.

John Ryan: Former Commissioner Smith will tell it in a much more colorful way than I, I'm certain of that. And he had a deputy at the time, Mark Pearce, who was very active, and he kind of led the work around this data collection and these reports that became a product of this cooperative group of state mortgage banking regulators and attorneys general. That group then moved on to become the core of the group that ended up in the global mortgage settlement and then working with the Justice Department and FHA [Federal Housing Administration] and others on that global mortgage settlement. But yes, Joe Smith was a big, important -- I think he might have been our chairman right around that time -- an important player in this. There were at least a half a dozen commissioners who were really major leaders throughout this time. Some of whom I think you've spoken with already.

Neha Vangipurapu: In a speech at the Federal Reserve Bank of Chicago, you emphasized the role of the community banking model in maintaining the health and stability of our national financial system. Do you think that a community banking model might have strengthened our response to the 2008 crisis or to future financial crises in general?

John Ryan: There certainly seems to be a difference, based on the work that has been done around the conference that we helped start that supports that the proximity of the lender in the community bank model, where they've had a long-time commitment to that community, delivers different outcomes. So lower foreclosure rates, more sustainable lending. It's not a guarantee, but it’s been a business model that's served communities very well, served small business very well. And I'm worried about us losing that in the world of financial technology to distant decision makers, developing algorithms that just may not fully understand the consequences of their programming and how this all plays out in local economies. So I do think it's a business model that has historically delivered a lot of really good results for our communities.

It's not perfect. The system is not perfect. I think we can aspire to be better and more inclusive in our financial system. But it's a model that's served us in thousands of communities very, very well. I think we also have to recognize though that technology is changing how banking services are provided and how consumers want to receive them. And we got to think about how we ensure accountability within that system. And I think to eliminate the role of the State, the state regulator, the state enforcement attorney general creates a greater distance, less accountability. And I see that playing out. I saw that play out really badly when that happened before. And I see that playing out badly in the future if you disintermediate the state regulatory system and law enforcement system from consumer protection and its application to all those operating within a state's borders.

Neha Vangipurapu: We just have a few concluding questions for you. Over the last decade, we've seen a number of different perspectives emerge to explain the financial crisis. How do you understand what caused the crisis?

John Ryan: Well, I think it, it's, some of it - greed ultimately caused the financial crisis. I think for the curious, anybody who was curious enough to ask questions, could understand that there were things going wrong here much sooner than it was acknowledged. And I think they were less curious because this was a machine throwing off lots of money to a lot of different interests. So, there's kind of a plausible deniability for many players, but I think a lot of people should have been a lot more curious about the problems that they were seeing and witnessing and what that could do. And certainly, the states provided early warning signs with responses going back to the nineties and we should have been listening to those responses, not silencing them. So, ultimately it comes around, it's a model that could be replicated elsewhere, where people are making money and just don't ask the really critical questions about, is this sustainable? Is this really in the public interest? And acknowledging problems where they are clearly being identified. Consumer groups identified these issues very early, and I've gone back and read some of the reports that came out in the mid, late nineties. They were not prescient, that means that there's some sort of magical skill there. No, they were focused and really, and willing to recognize a problem and curious and exploring it.

Neha Vangipurapu: To what extent do you see your personal experiences adding something important to our understanding of what happened in the run up to the '08 crisis?

John Ryan: My experiences, one, again, to be inquisitive at those moments that are uncomfortable. And when others try to make you uncomfortable for being inquisitive, you got to maybe double down, not to be afraid of rocking some boats. Though that has consequences. And one of my lessons is seek the signals, find the signals, listen to the signals. I was hearing a lot of signals from our members. Our members were sending a lot, you needed to hear them and respond to them. And people will take advantage because there's money to be made in information asymmetries. We needed to close those information gaps and create that network. More talking to each other, spotting issues, sharing responses sooner, so people could not take advantage of regulatory gaps, not just information asymmetries, but regulatory asymmetries. So from me, I've been much more - I'm very motivated to see where we have, in the current environment, some of those gaps or asymmetries and try to pull people together, even when it feels like we might be disagreeing. Find the common thread of agreement so we can pull people together and not allow these regulatory gaps information asymmetries to be exploited to the harm of our financial stability or the consumer.

Neha Vangipurapu: Looking back on the crisis over a decade later, what other important lessons would you see for mortgage originators and state level policy makers?

John Ryan: We, as state regulators, need to focus on the differences that make the most difference. So, some of the differences in our state law just grew, they grew organically, independently and created friction and difficulty in complying with our state regulatory system that sometimes kind of begged for preemption. Like this is incredibly inefficient, and there isn't a good justification from a consumer protection perspective or otherwise. So, I think one of our lessons is work with the -- there are lots of good actors in the market -- work with them to try to develop regulatory infrastructure that we all can agree on that meet certain goals. Recognize where we ourselves have inefficiencies and try to address those. Don't be so, so siloed, so insular that we don't see that. I think you can have partnerships towards certain goals.

It is not, it is not an absolute partnership. Regulators have certain authority, and they can take away someone's license or charter to do business. So that is not a partnership, but there are lots of things that we can partner around to gain greater efficiencies, work well together. So, when the really hard things come up, that are important, public policy choices, that's what we're disagreeing on. Not just general inefficiencies in our regulatory system, they give cover for preempting what I think is essential, which is we're protecting consumers in the stability of our financial system, access to credit across thousands of communities across the country. Those are the things we should be defending as state regulators.

[END OF SESSION]