AMERICAN PREDATORY LENDING AND THE GLOBAL FINANCIAL CRISIS

ORAL HISTORY PROJECT

Interview with

Sue Wolter

Bass Connections

Duke University

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PREFACE

The following Oral History is the result of a recorded interview with Sue Wolter conducted by Sarah Walker on January 31, 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: Neha Vangipurapu
Interviewee: Sue Wolter
Interviewer: Sarah Walker

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Sarah Walker: I'm Sarah Walker, an undergraduate student and member of the Bass Connections American Predatory Lending and Global Financial Crisis team. It is Monday, January 31, 2022. I'm currently in Durham, North Carolina for an oral history interview with Sue Wolter, who has been a licensed realtor since 1993 and has worked with Coldwell Bank Realty [and is joining us via Zoom]. Thank you so much for joining me today.

Sue Wolter: Thank you.

Sarah Walker: I'd like to start by establishing a bit about your background. I believe you obtained your Bachelor of Arts in Business and Marketing at the Cox School of Business at Southern Methodist University. Is that correct?

Sue Wolter: That is correct.

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

Sue Wolter: I got interested in real estate when we moved back to St. Louis, and that would've been in about 1991. We had lived overseas with my husband's business. His company transferred us there. When I moved back to St. Louis, I was looking for employment and thought I would go back to what I was doing before we moved overseas. We were working with a real estate or relocation company helping us with housing in St. Louis, and I got very interested in real estate, participating myself, [in] looking for a house. And they offered me a job and said, “Why don't you get into real estate? Why don't you go get your license and work with us in relocation?” At that time, the relocation companies just worked on the buyer's side. So I went and got my license and started working in relocation.

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

Sue Wolter: I would say it was average to strong. Now, when I started in real estate initially, I was just a buyer's representative. I did not do any listings. Since that time, we have different representation in the state of Missouri. You have to declare who you represent. It used to be, in former days, in real estate everyone worked as a subagent for the seller. Even though you, as a buyer, had a real estate agent driving you around, taking out to look at houses, everyone worked as a subagent. That all changed. In the state of Missouri, and I think in many states, you have to declare who you're working for with a Buyer’s [Representation] Agreement. So when I first started out, it was really interesting, very fun. I usually just worked with people relocating with a couple of different companies.

I would pick them up at the airport, give them a tour of St. Louis, talk about their needs, what they were looking for. A lot of them only had two visits to St. Louis, and they had to move here. It was kind of a quick process. So, it was a little bit different in that I always knew my buyers were going to buy a house fairly quickly. So, it was intense, but it always resulted in a sale.

Sarah Walker: I know you mentioned specificity to St. Louis there. Was the St. Louis market different in any meaningful way from what was going on nationally when you first got started?

Sue Wolter: I don't think it was. St. Louis being in the Midwest, I would say we were back then, and we are now, a more conservative market. So, trends that are hitting the East Coast, West Coast are normally not hitting St. Louis for a while. I would say [it was] a little bit more conservative [of a] market, maybe a little bit slower, obviously, than the East and West Coast.

Sarah Walker: In your early experience, what were the main obstacles to getting to closing, for example inspection or appraisal?

Sue Wolter: I would say inspections have always been the key item getting to closing. I normally didn't have problems with appraisals or my clients not being able to get a loan. Most of these were mid-managers to upper managers being transferred with the company, so they had good strong employment. The financing was very rarely an issue, and appraisals weren't really an issue. Again in St. Louis, and especially where I sell, kind of in the central corridor, it’s a very stable market. So, I didn’t really have problems. Inspections I would say were always and are always the toughest part of a transaction for me.

Sarah Walker: Did you typically work with the same appraisers and inspectors on most of your clients and deals?

Sue Wolter: No. Inspectors, I would say yes. Appraisers, no. And even today, back then as well, real estate agents, we really do not interact with appraisers per se. I've been in the business for many, many years, so I will get appraisers who call me—not about my properties, but about a neighborhood I've been working in or selling in. They'll ask my opinion from time to time. But in a normal transaction, appraisers set up an appointment to appraise a house, and I don't really get to interface with them. There's kind of a—it’s understood. We don't really work with them.

Now I will, lots of times—and especially in the crazy market we're having now, where we have multiple offers and homes selling for significantly over list price—I will normally leave a packet for the appraiser with my comps [comparables]. [It would be] a note to the appraiser explaining, "Hey, we received 6, 7, 8 offers on this home. They were all over list price. Here are the comps I used in pricing this home." But I really don't deal with appraisers.

Sarah Walker: Why is it that you don't really have that relationship with appraisers?

Sue Wolter: Well, it's always been that the appraiser is hired. Normally the lender is the person who hires the appraiser. That's just not our portion. Every once in a while, it would be very rare that I would have an all-cash deal, and my client, my buyer, might say, “Hey, Sue, I want to get an independent appraisal of this.” I could contact an appraiser but normally that's part of the lending process. Now, every once in a while, I'll get a client now that I do both—I work with buyers and sellers. I list and sell homes. Sometimes, I will have a home that's either in a state or just for one reason or another, the sellers want an appraisal of their home before they list it. Or sometimes for tax reasons, for different business reasons, they need an appraisal. Then I will contact an appraiser, and I try to contact an appraiser who works and does a lot of business in that particular zip code or neighborhood.

Sarah Walker: In your early years as a real estate agent, how did your clients typically finance the home?

Sue Wolter: I would say [for] most of them, it was through a mortgage company. Many of the people in my early years, they were corporate transferees. So, sometimes they had incentives, or they were receiving some help from their company. It could vary. The company could pay some points to buy down their loan. Their company could give them some dollars to help them with the transfer or relocation. But most of them went through typical mortgage lenders or banks.

Sarah Walker: How did you typically find business? Was it through referrals, online marketing, some other method?

Sue Wolter: Initially when I started out in relocation, that was kind of the beauty. When I started my career, I worked for a relocation management company that had contracts with two or three major employers in St. Louis. So I never sought out customers. They called me. My boss would call me and say, “Sue, I've got someone relocating from Anheuser-Busch [Anheuser-Busch Companies]. Can you work [with] this family and pick them up on this date?” So, in the beginning, I did not have to find clients. That changed later down the road when I switched over to a more traditional brokerage company.

Sarah Walker: When you made that switch, were you relying more so on referrals? And who generally were those referrals from?

Sue Wolter: Generally, it was just my network. A lot of that, when I switched over to a mortgage broker, by that time, I've lived in my community for a long time. I was very active in my schools, my church, networking. So, I was pretty fortunate that a lot of people just came to me. And I still had some referrals from my early days of relocation. So, sometimes I would get a client who I'd placed in a home. They would call me. But most of it was just networking.

Sarah Walker: Was there ever pressure, or did you ever face any incentives to make decisions or provide findings in a way that ensured you would get more referrals or continue to get referrals?

Sue Wolter: I really didn't run into that, no.

Sarah Walker: In the run-up to the 2008 crisis, how did you see the real estate market change?

Sue Wolter: Well, I saw it was quite strong here in St. Louis and especially in our area—in kind of a central corridor where it's considered a desirable place to live—the market was good. It was very easy for people to get preapproved to get mortgages. So, I would say, it was pretty strong,

Sarah Walker: Were changes in the wider market affecting business practices among real estate agents and in your industry?

Sue Wolter: I did not notice that.

Sarah Walker: Did you notice any changes in the mortgage market or the nature of credit extensions?

Sue Wolter: That I definitely noticed. We used to kind of joke in St. Louis, and probably everyone joked that, anyone could get a mortgage. Anyone could get a loan. And the joke was, don't let your dog out at night or when you let them back in, they'll have a mortgage. So, it was very, very easy to get mortgages.

And the one thing that I really noticed is the amount of lending that was going on. I would sit with first-time buyers, and both well-employed or maybe a younger couple, and the amount of the loans they could get really surprised me. Because I thought, "Okay, you're going to lend them this amount, but does that really sense for someone just starting out in their career?" So, I definitely noticed a bump with how loose it was to get a mortgage and the amount.

Sarah Walker: As a real estate agent, what other professionals in the mortgage sector would you kind of connect with? For instance, would people in your profession interact with mortgage brokers or lenders as well? I know you mentioned having conversations with your clients about the loans that they were able to get, but were you in contact with mortgage brokers or lenders?

Sue Wolter: Normally, we try to keep a little bit of distance from the lenders, as far as my job is to, when I sit down with a client, ask them if they have financing in place. My practice is normally to give them three or four business cards of different lenders, people that I've worked with. And I can look them in the eye and say, "Hey, I've used these people. They're professional. They've never let me down. Do you have a relationship with someone?"

And of course, we always have bankers and lenders calling on us, asking us, "Hey, can you meet? Can you get a cup of coffee?" That type of thing. I try not to get real involved with those relationships. I always want someone who's going to follow through. I do like a local lender or mortgage lender—someone that's going to take my phone calls, follow up once we're in a transaction. But other than that, I really don't socialize or deal with the lenders a lot.

Sarah Walker: I know you mentioned local being one criteria that might make a lender more appealing to work with. Other than that, were there any other factors that helped you discern which mortgage brokers or lenders to work with?

Sue Wolter: Normally, their follow-up—getting the deal closed. I mean, there are a couple of large national mortgage companies that I dreaded when people were reputable on paper, but I would spend half my day calling a 1-800 number. We'd be on [the] day of closing and things wouldn't be working out, and they're in New York or someplace else. So, I've always stressed with my buyers, if they ask my opinion, I like having a local lender, someone that's going to return my calls and not [have me] calling a 1-800 call center when there's a problem that arises.

Sarah Walker: You mentioned being surprised by the loans that some of your clients were getting during this time. Did you ever have concerns at the time that lenders or brokers were qualifying borrowers for homes that you felt that they couldn't afford?

Sue Wolter: I've always been amazed at [it], and I'm a little more financially conservative too. So, I like to sleep at night and not think about a big mortgage. So, one of my roles [is] sitting down with especially first-time buyers or younger buyers and talking about their preapproval letter and looking at the numbers. I'm always amazed at how little financial understanding they have of the mortgage business and just basic numbers.

One example I'll use is, for a while, I had just a few different clients who were pharmaceutical reps [representatives] and very impressive right out of college. And they did make a lot of money, but the amount that they were offered to [and] allowed to borrow—it just didn't line up. I mean, why would you take out a mortgage like that, and especially at that age, why would you want to extend yourself that way? It's easy for people to get caught up. "Oh, they said I could buy a $600,000 house or something when you're a first-time buyer." It's always a discussion I always felt they should be having with their financial advisor, their parents, or whoever gave them their financial literacy. But I would sit down with them and say, "Let's really talk about this. Let's understand your payment. Do you like to travel? Do you both always plan to work? Because you're buying this home based on both of you working for—you know, this is a thirty-year mortgage. Is that how you see it?"

So, I did see some numbers that I thought were high, but normally in conversations with people, they would start to understand the process. Every now and then, you would have people who, if they were allowed to borrow a high amount, they would take the optimum number for them. They would go all the way.

Sarah Walker: Did you feel it was your place as their real estate agent to be having that conversation with them?

Sue Wolter: I'm a very personalized real estate agent and, always, we say, “You need to work with your financial advisor, your attorney, your lender, and understand this.” But normally, I really get to know my buyers. I have pretty basic conversations with them. Especially first-time buyers, I want them to understand what a six-month plan is as far as, are there any repairs needed on the house? Different events that can happen with homeownership. So, I normally do make sure they're comfortable with the amount they're going to [borrow]. We always refer them to talk your lender about this, talk to your financial advisor, or talk to your family members, your parents. Some people listen, some people don't.

Sarah Walker: Going back to when you first got started in the industry, what did regulation or licensing look like for your industry in that time period?

Sue Wolter: To be real honest, we follow the rules, but the brokers are the ones who really get involved with the industry licensing. We were given rules to follow or whatever. And primarily, when I started out, since I was a buyer's agent. I couldn't do any listings. And that changed. Then a lot of relocation companies, some went into the business of doing listings as well as just working with buyers. But as far as regulations, I didn't really get involved with that.

Sarah Walker: Did those practices on regulation licensing change between then and the lead-up to the crisis?

Sue Wolter: Well, there was definitely a change in our state as far as understanding that buyers needed to understand who was representing which party. For example, we signed a Buyer's Representation Agreement. When you sit down with a buyer, they sign a document stating that Sue Wolter's going to represent them as buyers. And it lists the rules that I'm going to follow. It's going to list the things that they're going to do so [that] everyone understands, [and] there's no situation of who are you really working for? [Are] you working for the seller? Whose side of the deal are you on? So that was probably the biggest change I saw since I started working in real estate, but that was long before the financial crisis.

Sarah Walker: Were there any legislative changes at the state or federal level at the time that you were particularly paying attention to, or that you can recall?

Sue Wolter: None that I was aware of or that I was involved with or no.

Sarah Walker: …How did you perceive the increase in state and federal regulation and enforcement at the time?

Sue Wolter: Well, before the financial crisis, I didn't notice it as much, but obviously afterwards, there were lots of changes. Lots of changes in paperwork, lots of disclosure changes, Dodd Frank. All of those changes affected us. But I did not notice any difference in regulation before.

Sarah Walker: How did those changes after the crisis affect your day-to-day work and the amount of business that you were getting?

Sue Wolter: I would say it didn't affect the amount of business I was getting. I would say there was more paperwork involved, more so for the title companies and the lenders. I actually liked some of the changes, the biggest being that before closing, lots of times my buyers would not get their final numbers from the lender. It could happen an hour, two hours before closing. So even though they should have been talking to the lender, the lender should have been sharing all that numbers, until you see a closing statement and all the credits and debits and down to the penny—you never want a surprise at closing.

Prior to the regulations changing, I think a lot of real estate agents, we're on the phone saying, “Where's that closing statement? Where's the HUD [HUD-1 Settlement Statement]? My people need to go get a cashier’s check or wire money, and they work. And it's three hours [before] or the morning of closing, and I don't have this.” So, I think the rule is, now they're supposed to have that three business days prior, which we love. I don't know how much the lenders and title companies like it, and some of them don't adhere as well as they should, but that was a positive change.

Sarah Walker: I believe you belong to both the National Association of Realtors and the St. Louis Association of Realtors. When did you first join both of those organizations and how involved were or are you in those organizations?

Sue Wolter: I joined them both immediately, and I'm really not involved. I haven't participated. I might go to an event once in a while or continuing education, especially with St. Louis Association of Real Estate [St. Louis Association of Realtors]. They do a lot of lobbying on our side, but I really am not involved. I haven't served on any committees or gotten involved with them at all

Sarah Walker: In and around the crisis, do you recall what these groups were advocating for at all?

Sue Wolter: I know the groups were lobbying in DC for us. I would get emails, follow some things, but I really wasn't very involved with that.

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

Sue Wolter: You knew it was going on, but there weren't really discussions of it. And I wasn't as affected in the area that I sell. [We had] a lot of move-up buyers, a lot of [what] we call the central quarter. A little bit more conservative buyers [were the ones] I worked with. So, I wasn't as concerned about that. I definitely heard, [and] we joked about it—who can't get a mortgage, you know? I mean, everyone knew that anyone could get a mortgage. I just didn't have to deal with that as much.

Sarah Walker: I know you had mentioned previously that St. Louis wasn't impacted as much as other cities and more heavily on the coasts of the US. So, how would you kind of describe the aftermath of the bursting of the housing bubble in St. Louis in comparison to other cities?

Sue Wolter: Let me back up a little bit. St. Louis was affected. The area that I sell in, what I call the central corridor, wasn't as affected, because it's a very stable housing area where I live. North St. Louis, one of our poorer communities was hit very, very hard. Further out west, St. Charles County was hit harder. There were definitely areas affected.

…Even in our office, our company set up a short sale team. So, if we had a seller who came to us or someone who was in trouble with their mortgage, we could refer them to the short sale team that would help them get their home listed [and] try to work with the financial institution prior to foreclosure. Fortunately, I did not personally have any clients who ran into that, but we certainly had those clients in our office. And I showed properties that were either short sales or heading towards foreclosure. So, it definitely existed, and our company responded. It's such a specialty dealing with short sales and foreclosures…besides being very time consuming. Didn't make sense for all the agents in our office to specialize in that.

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

Sue Wolter: I've read a lot. I've talked a lot. I really think the subprime mortgage was the big problem in that and adjustable mortgage rates. Those ARMs [adjustable-rate mortgages], those adjustable rates looked so desirable when they were low, and you could buy so much house. And then when things started to collapse, and those interest rates were skyrocketing, it was just disastrous. I really think the subprime mortgages, the drive-by appraisals, people just not paying attention to way the way the market works.

Sarah Walker: Looking back on the crisis over a decade later, what do you see as its most important lessons for realtors and lenders?

Sue Wolter: Well, I think for lenders, preapprovals and really looking at someone's financial background to see if they should have a loan. I mean, I would state that not everyone in America should have a mortgage at every point in their lifetime. I know that politically, the American Dream is to own your own house, but you have to be able to afford your own house. There are times when you can do that, and there are times when you cannot. I think a lot of people bought into that American Dream when they weren't financially ready to do that. That would be like my kids buying a house today. That would make no sense for them today. So, I think that everyone thinking they needed to own a house was a big mistake and being told everyone can afford a house.

And then I think the lenders made it very easy for people to get preapproved, and then the realtors bought into it. I mean, people would come with the preapproval letter, and we don't run someone's credit. We don't really check their employment or anything. If there is a preapproval letter, we take that as, "Okay, someone's going to make this loan." Again, a little bit different for me because the area that I live in and this kind of central area, a pretty stable area. Most people I was dealing with, they could afford their houses if they were move-up buyers.

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

Sue Wolter: Yeah, I really think you covered a lot of it. I think there was a lot of confusion for homeowners who were upside-down on their loans when it was taking place. I knew of a couple of families who, I don't think their lenders gave them the best advice when they were figuring out they had a problem. There was a lot of confusions on the difference between a short sale and a foreclosure.

I knew of one family, they weren't my clients, but it was someone through our kids' school. He had been laid off from his job. They had refinanced their house. They had a second mortgage on it, and they thought they were doing all the right things by taking out of savings to keep paying that mortgage no matter what. Borrowing from their 401 [401(k) retirement plan]. Doing some of what I perceive as big financial mistakes, thinking they were doing the right thing. Whereas they should have gotten with a credit counselor. They should have been able to work with their lender immediately to say, "I can't do this. I need to get out of it." And I think the lenders led some people down the wrong path on that because in the end, if they didn't get things sorted out with a short sale, these people ended up in foreclosure after depleting their savings [and] other money. They should have taken that step much earlier.

Sarah Walker: And would you mind distinguishing for us between the short sale and foreclosure?

Sue Wolter: A short sale? My understanding of it is, you are literally short. You're upside-down in your mortgage. We had a specialized team that did this. The client, the seller, would contact us and say, "I've got to sell my house. I can't afford to keep making these payments." However, their payoff, what they owed on their house, exceeded what the value of the home was. So, they were short an amount. Maybe their house was worth $400,000 and they owed $500,000. So, who's going to make up that difference? We can market and sell their house, but at the end of the day, on the closing day, the bank wants their money. So, we had special realtors, attorneys who would try to negotiate with the bank on the short amount. This was a very, very gray area and very confusing to sellers. Some banks would forgive the loan. Some banks would not. And there was lots of confusion, all different outcomes of this. And it wasn't always made real clear, and these deals took a long time. If I was representing a buyer, a lot of buyers thought, "Oh, this is great. I can go buy a house that's going into foreclosure or short sale and get a great deal." Those deals could take three months, six months because you're negotiating with the bank, and you never know what the bank's going to say.

Sarah Walker: …To what extent do you believe it's kind of on the consumer and buyer to have the education and financial background to make smart decisions about buying a home versus relying on the people that are helping them, the real estate agent, the lenders they're working with?

Sue Wolter: I really, really fault the industry, the lenders. The realtors, to an extent. There needs to be more education, but this—don't get me going, because this gets back to high school education. I think everyone should understand what a mortgage is, a loan. It's amazing to me that people graduate from college and don't understand day-to-day finances and what a mortgage is, what you're signing, what it all means, what interest rates mean. So, I do think it rests upon everyone.

I guess I put most of it on a lender. I've been in meetings where someone will say, "Oh, I talked to my lender for fifteen minutes, and I got preapproved for this." And then I start asking them about PMI, private mortgage insurance. I ask them about, are they going to escrow? I start talking about all these different things that really a lender should have talked about and explained to them. Your taxes can go up, and your insurance is probably going to go up, and all these different things. So, I do think there's a real lack of education by the lenders.

Sarah Walker: …Thank you so much.

[END OF SESSION]