

10/12/10

Ron Borze Kowski - HUD -

Damon Smith

Nancy Christopher -

Henry Cisneros -

Bio • San Antonio - TX -

Texas A&M -

MA - Kennedy School

PhD - pruned g'town

Nat'l League of Cities

HUD - Elitt Richardson -

prof. U Texas - San Antonio

City 1975 - 1981

Council

1989 - (8 yrs)

private investment mgmt

Chrom Bank of Dallas -

Resign. Fed -

Transition Clinton /

Warren Christopher -

Transit - Cabinet - posic.

Dept HUD - having been mayor

Gov - 4 yrs

Jan 93 - Jan 97

Traveled to 200 Cities -
on HUD Biz -

business mng. of Dept -
need for renovating public hsg
homelessness -

Dive Homeownership Rate -

Univision 4 yrs LA

2000 - created America City
~~Shannon~~ Vista - City View

to bld + fin. homes in
inner city areas - built 7,000

units in 12 states - 54 depts
"Workforce housing" for sale
Now - rental hsg.

Non profit -

Adv. Coma Gates

Nat'l Alliance - homelessness -

Corp. Bds - (2) Since 2000
KB Home - 2000-2003
@ time 3rd largest producer
of homes in US - production

Countrywide 2001-2007

(5d of Univision now)
not publicly traded -

Q. 4 priorities as HUD Secy -

Homeownership -

As former mayor -
understood imp. of
beliefs to this posn -

1995 - Asst. Secy for Hsg
FHA - Nick Retsinas -

We had an opp. to perhaps
match highest homeownership
66% (from 1960s - mid)

@ 62% @ that pt -

Clinton-era expansion -
tax increases 1993 - showed
effect - largest exp. in Am history -

Income distribution
closure -

Increase opp. for homeownership -
Path to middle class is
equity in a home -

Demos Inst. Book -

3 strategies - 1) Access to
educ. -

2) Income strategies - min
Wage + Labor prot.

3) Homeownership

Financial prosperity to touch

more Americans -

(47) interest groups -

network of homeownership
coalition

> Craig - leads effort
on foreclosures - Fannie +
Freddie -

Expplan - advocacy +
industry -
nat'l policy -

When I left in Jan. 1997 -

not his 66% mark -

driving in that direction

"Strong" - direction

Q What happened next?

Was that the start of -
inheritable processes -

Calamity - emergency

"homeownership was the 1st
thing to do."

Some things by govt -

low + mod income targeting

@ Fannie + Freddie

CRA -

Don't believe either was
a seminal or decisive factor

The enterprise system -
pursue "frosty" - find ways
to make \$ - when a
boom occurs -

Not just housing
peto \$ s
liquidity
low int. rates -

He came to hsq market not
intending to help middle class,
but to take adv. of 'subprime'

'Amenigust'

Wall Street -

CDs, SIR, hedge
strategies to move more
paper - capital glut - loved
level of returns assoc. w/
mortgages

→ Regulators - less oversight
decisions by several admini

Denmark
Germany (buy the
China paper

"There was a systemic contagion" -

② Originators part of that
Stem -

Yes.

Wallo + Countrywide
for "compet reasons" felt
compelled to go down the
road -

Paint a picture of
many elements -

Yanni + Freddie - Was
the hybrid structure -
When hybrid tilted to
Wall Street returns - compet.
Structure + compensat. -
Was the problem -

Easy to criticize the low +
mod-income goals

"Yanni + Freddie made
gross missteps"

Very complex chain of events

~~Homeownership~~

Blew past to 69.6%

White ↑ 74-75%

minority 42-49%

(Fraud - low-income)

CRA - don't think can be blamed. That case has not been made.

Q CRA as cover for banks - >

That excuse can be unmasked.

Q HUD ^{Gov} - This is not what we intended

"You can't see them as things occurring."

I don't think the articulation of homeownership goals in 1990s is fundamentally why we had an econ. bust.

Didit antrupaē -

Starting the push - hijacked
in the way it was

① Kikstra - litigation -

Bd mbr. - @ Countywide -
when design - settled Nov. 15 -
final approval - no litigation of it
that -

② - Houseing goals hijacked -

Examples - Amerquest
(low-interest rates)

European - Fed

Ratings Agencies -
(Moody's + others)

Wall Street - entities

③ One moment - late 2000 -

Fannie adv. Commission

mtg @ which Frank Rains -
econ. analyses led to:

Subprime ought to be viewed
as a "central instrument"

The analyses - subprime -

just another instrument -

mainstream eos. ought to
use -

Assuming you price it
correctly. Then difficulty.

In retrospect - mainstream
Co. - opening door.

Reaction? - "Suspect"
in the sense - abusive

Credit - Finance Co. credit -
↓ 30-yr. fixed rate mort.
of standard nature.

Interesting research -

Year²⁰⁰² - Fannie Mae Adv. Course
25-30 mbr. group -

Fannie + Freddie -

Flagship institutions -
special places - hire best
talent - "A wonderful place to
land"

Highly sought after -
in govt - paid well + not
full time post. "It's a great
honor"

Same for executives -
+ staff

Creation of oversight

early 1993 - legist. passed
1992 - OFHEO -

Aida Alvarez (SBA later)

She put tog. ^{fairly} effective strength

Relat. w/ Janai + Freddie
was tense - trying to escape
supervision -

Jani OFHEO - more stringent -
talon -

- session was good - in that
he could see w/ clear eyes
the behavior of Janai + Freddie
"not driven by public interest"
lobbying team -

Profile - polit. popular
w/ Congress by setting up
offices in their states

> Compensation - made them
off. than civil servants -

Grudging Respect -

only later did we find out -
> abuses in acctg.

① - Steady days -

Q New kinds of mortgages?

What I saw was pretty standard -

Bruce Kerotts - jlt effort Northridge

KB Home - jlt venture - CA

American City Vista -

Homes - urban -

even suburban - Buffalo,

Detroit, Cleveland -

That's what I decided to do -

left Univision - more

chng. than budcity -

Get back into the cities

business - American City Vista -

Selling Home -

SAN Antonio - sales office

where they looked for mortgages

Texas (2001 - 2002 - 2003)

2-3 Houston

2 Austin

6 Dallas

- Countrywide Board -

had been standard originator

+ provider - close to team

@ Countrywide - House America

originator \$IT mortgages

+ web - platform in storefront -
Q Mozilla - but here in

HUD
Award - "Best Practices
in Fair Housing"

1- 55,000 - only in America
unthinkable

Q - Originators - Mozilla pioneer -
low-income

Said he was helping US
govt carry out housing policy -

Minorities - don't match
picture - ?

Perceive?

Q - Period at HUD -
"Fair Housing"
most high-minded of all -
anti-discrimination -

Board - aware of "Full
Spectrum lending" - small
subprime lending -

My own bias of subprime
as consumer finance -
didn't want to fault
their own brand - not
talked abt much -

Later - focus became
Market share - Countrywide
15-20% market share

Team - new products had
to be utilized to maintain
market share - record will
show - new mktg.

HELOCs -
etc.

Countrywide - dist. itself
from more aggressive -

"Standard make loans
to ppl who can pay them
back"

> "Philosophic" distinction
versus "Mills" -

> Nature of instruments -

Countrywide did not go under -
after J&J Bd - credit markets
dropped off -

@ Countrywide - Mozilo - says -
4Q 2004 - They want 30%

market - securitization - Alt-A -

IT init. to expand Home ownership -

Saenz - Operations + Public Policy -

Bd. Supervisory etc. -

Geographic Access -

storefronts - w/ Citywide

legs - in ethnic + access.

Language, materials -

Latino -

⊙ Unemployed food - Yes.

In sense that minority
homeownership rate -
42% -

⊙ "I think it was taken
over by a lot of things
we didn't control."

New products

Wall Street - no structure
of super. for that -

→ Extra banking institutions

No oversight vehicle -

Occ + Fed

→ Boom pds - fighting the
new war

Be another boom pd.
New --- computers -
hard to have anti.

"I am not exercising it"

Q - Ideas abt -

more in pop. press -

Cassandras - in op-eds -

Bust -

Q Andrii Chel -

Q Countrywide -

Took up too much time

Q - Subprime - what do you

regret -

One option - not
involve in subprime

Wells Fargo - did not
do subprime -

→ They were a bank

Fox Biz News KCNBC

Q - No stop - new instruments -
new leaders -

What did have been done?

HUD period - public service -

Depends on how rosy-eyed
you want to be. Believe
you can see things as they're
happening - yes, we did have
lowered int rates after
Dot com Boom -

did have put in place

Regul. - to deal w/ derivatives
+ Wall Street

Supervision of Banks + Non-
Banking instit. - outlawed

Could have been done -
"neither vision, foresight" →

Process I know in Wash -
legis - industry

"A pipe dream - wishful
thinking"

Principles - ?

Very late -

Saw the worth of AGs -
on the merits -

Close to - put ACORN toge. w/

2005 2006 Countrywide

AFSME - Angelo toge. w/ them
Corp. Governance

On Bd. - Thit of Cisneros - redfig
Kathleen Brown - CA. -
Oscar Robertson - Off. An

Closest - Sandy -
w/ Countrywide publ. policy guy
several mtgs &
telephone calls

Opendoor @ Countrywide -

① The disaster - scope -
(KIRSTIN) -

There have been a
lot of downturns.

Nature of economics.

I said there were things
that could have been
done.

> Int. rates shld have
been allowed to rise -

> Cld have exp. regul.

of fin. institutions

> Regim of consumer prot.

Flaws - ^{since} Mayor of SAN

Antonio - dismantling
of the safety net -

Given our views of role
of govt - no resources or

Auth. - scale of ^{complex}
of fin. system -

Could we have

Politically ?

Funded ?

Staffed it ->

FTC - no staff - to search
out mktg. problems -

System isn't quick enough,
number enough -

I'm not cynical - I'm
just trying to be realistic.

(Derivatives) - pretend to
project to

^{you have to}
Fed & Bernanke - understand
recessions + depressions

done now after the fact - done things -
but after

Critical things - deal w/
question - fighting the last
war -

master the system -
"Probably won't"

Smartest ppl in world -
go to Wall Street -
they're way ahead of us -

2004 HUD - ^{gov admin.} 2007

loved to have stayed -

Cl'd have done anything
diff w/ homeownership/
- maybe?

if someone showed me
data - headed in the
wrong direction - agh
Human nature to do
things bec. something
bad mt. happened -

(Mayor) You don't get any
credit for that

hard to get ppl to do -

you spend a lot of time
doing things you'll
get credit for

Real hard - interests served
in boom

Boom psychology -

describe - if want

to skin bottom off valleys,

why not skin the tops of

the peaks -

(Maurice) - take away

the punch bowl -

" We don't usually do that.

We like the party "

HUD - glad I wasn't there -
wld have been blamed
for the whole thing -

you elected - is there
anything diff. that either
admin. wld have done -

① - Hybrid model - public private -

thought it was the
precursor -

"Capacity of advance"

"Now you're asking me abt.
original sin."

② Low - Banks + larger inst.
Countrywide -

Transformation of this
industry - + then excess -

③ WHO? Who pulls that plug?
if you're a cabinet secy.

④ Race to the bottom - ?

Have to produce greater
returns - market share -

" This is a story abt

Structures that are not
Set up "

People - Fed is the closest

" I can think of
Greenpan - has the only
one I can think of who
could have said the
parabys over "

Q You can speak up -
2004 WSJ - media

" Did it change anything "

Q City View -

FHA - kept them alive -

New Orleans project - did it as
food citizens - Apt. Complex -
duplexes 300 units -
bought w/ local developer
80 units sold July 2008 -

98 pct disqualified by
bapt out of 80 -
(reconverted to rental)

Rentals - Now - (5 of 54 projects)

- > Phoenix
- > Tucson
- > Selenia's
- > New Orleans

Now Chase ✓
~~WAMI~~ → ended up

WAMI was
banker + co invest -
all went to Chase

FHA - 70% of biz -

Business Model - Urban
\$2 B ^{built} _{of hsg.}
since 2003
7,000 units
12 states -

(in effect an investment bank)

Bldgs - do that -

try bring us deals -

5 Western states -

\$ 350 m / Rest of country

Southern CA -

4th For NYC

5th multi fam in Southwest -

trying to raise capital for

other things -

Web -

ALPERS

7 deals w/ Bldc -

Trammel Crow -

Municipal Debt?

2 - pension systems -

12:20 pm