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# A Banker Speaks, With Regret

By NICHOLAS D. KRISTOF

If you want to understand why the Occupy movement has found such traction, it helps to listen to a former banker like James Theckston. He fully acknowledges that he and other bankers are mostly responsible for the country's housing mess.

As a regional vice president for Chase Home Finance in southern Florida, Theckston shoveled money at home borrowers. In 2007, his team wrote \$2 billion in mortgages, he says. Sometimes those were "no documentation" mortgages.

"On the application, you don't put down a job; you don't show income; you don't show assets," he said. "But you still got a nod."

"If you had some old bag lady walking down the street and she had a decent credit score, she got a loan," he added.

Theckston says that borrowers made harebrained decisions and exaggerated their resources but that bankers were far more culpable — and that all this was driven by pressure from the top.

"You've got somebody making \$20,000 buying a \$500,000 home, thinking that she'd flip it," he said. "That was crazy, but the banks put programs together to make those kinds of loans."

Especially when mortgages were securitized and sold off to investors, he said, senior bankers turned a blind eye to shortcuts.

"The bigwigs of the corporations knew this, but they figured we're going to make billions out of it, so who cares? The government is going to bail us out. And the problem loans will be out of here, maybe even overseas."

One memory particularly troubles Theckston. He says that some account executives earned a commission seven times higher from subprime loans, rather than prime mortgages. So they looked for less savvy borrowers — those with less education, without previous mortgage experience, or without fluent English — and nudged them toward subprime loans.

These less savvy borrowers were disproportionately blacks and Latinos, he said, and they ended up paying a higher rate so that they were more likely to lose their homes. Senior executives seemed

aware of this racial mismatch, he recalled, and frantically tried to cover it up.

Theckston, who has a shelf full of awards that he won from Chase, such as “sales manager of the year,” showed me his 2006 performance review. It indicates that 60 percent of his evaluation depended on him increasing high-risk loans.

In late 2008, when the mortgage market collapsed, Theckston and most of his colleagues were laid off. He says he bears no animus toward Chase, but he does think it is profoundly unfair that troubled banks have been rescued while troubled homeowners have been evicted.

When I called JPMorgan Chase for its side of the story, it didn’t deny the accounts of manic mortgage-writing. Its spokesmen acknowledge that banks had made huge mistakes and noted that Chase no longer writes subprime or no-document mortgages. It also said that it has offered homeowners four times as many mortgage modifications as homes it has foreclosed on.

Still, 28 percent of all American mortgages are “underwater,” according to Zillow, a real estate Web site. That means that more is owed than the home is worth, and the figure is up from 23 percent a year ago. That overhang stifles the economy, for it’s difficult to nurture a broad recovery unless real estate and construction revive.

All this came into sharper focus this week as Bloomberg Markets magazine published a terrific exposé based on lending records it pried out of the Federal Reserve in a lawsuit. It turns out that the Fed provided an astonishing sum to keep banks afloat — \$7.8 trillion, equivalent to more than \$25,000 per American.

The article estimated that banks earned up to \$13 billion in profits by relending that money to businesses and consumers at higher rates.

The Federal Reserve action isn’t a scandal, and arguably it’s a triumph. The Fed did everything imaginable to avert a financial catastrophe — and succeeded. The money was repaid.

Yet what is scandalous is the basic unfairness of what has transpired. The federal government rescued highly paid bankers from their reckless decisions. It protected bank shareholders and creditors. But it mostly turned a cold shoulder to some of the most vulnerable and least sophisticated people in America. Last year alone, banks seized more than one million homes.

Sure, some programs exist to help borrowers in trouble, but not nearly enough. We still haven’t taken such basic steps as allowing bankruptcy judges to modify the terms of a mortgage on a primary home. Legislation to address that has gotten nowhere.

My daughter and I are reading Steinbeck’s “Grapes of Wrath” aloud to each other, and those Depression-era injustices seem so familiar today. That’s why the Occupy movement resonates so deeply: When the federal government goes all-out to rescue errant bankers, and stiff

homeowners, that's not just bad economics. It's also wrong.



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