

December 4, 2007

I Told You So

My Mom always told me never to say, "I told you so", but a quick look through this 11 page document <http://www.federalreserve.gov/boarddocs/press/bcreg/2005/20050516/attachment.pdf> from the Office of the Comptroller of the Currency (OCC), those that oversee bank lending practices, written on May 16, 2005 (yep 2005 the peak of the housing bubble) will make us wonder why a bailout is necessary. It is necessary because poor loans were made by banks, even though they were warned against doing so. The banks should eat these losses as they were making ill-advised loans. I must confess that I read this over 2 years ago and kept it for posterity. The banks were clearly greedy and are now paying for their mistakes. They will end up in the real estate business...again. What we all make of the Paulsen bailout plan is up to us individually, I suppose. But like they say, "to be forewarned is to be forearmed". The banks were told to be careful but made the loans anyway. Wall Street's alchemists then turned them into AAA. On their way (in many cases) to CCC. Darwinism is back!

Bennet

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