

The Bush administration backed off proposed crackdowns on no-money-down, interest-only mortgages years before the economy collapsed, buckling to pressure from some of the same banks that have now failed. It ignored remarkably prescient warnings that foretold the financial meltdown, according to an Associated Press review of regulatory documents.

"Expect fallout, expect foreclosures, expect horror stories," California mortgage lender Paris Welch wrote to U.S. regulators in January 2006, about one year before the housing implosion cost her a job.

Bowing to aggressive lobbying — along with assurances from banks that the troubled mortgages were OK — regulators delayed action for nearly one year. By the time new rules were released late in 2006, the toughest of the proposed provisions were gone and the meltdown was under way.

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