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To: LLPComments
Subject: Legacy Loans Program

As a taxpayer and one of the prospective involuntary financiers of the PPIF, I'm appalled at the terms of this plan and the fact that the unelected officials at the FDIC, Treasury and Fed are implementing this program and mortgaging America's financial future without Congressional approval. It seems the FDIC and Treasury are convinced that a handout of this size to the very Wall Street firms responsible for the mess we're in would never be approved by the public.

There are four questions that the FDIC should carefully consider before going ahead with this plan:

1. What measures are in place to ensure that investors and banks don't game the system? The New York Post recently reported that Citigroup and Bank of America have been aggressively buying the most distressed mortgage-backed securities, including some that use Alt-A and option ARM as collateral. Will these banks be allowed to flip these securities at increased, taxpayer-subsidized prices at the PPIF auctions? If not, why are they paying above-market rates for the same kinds of toxic assets that are supposedly burdening their balance sheets and making it necessary for the taxpayer to rescue them?

2. How can the proposed "reform" or elimination of mark-to-market accounting be reconciled with the plan's proposed creation of a functioning market (not to mention the existing functioning market in which Citigroup and BofA are currently buying toxic assets -- see no. 1 above)? The sole rationale for changing mark-to-market supposedly is that no market currently exists for these toxic assets. Leave aside the fact that this seems demonstrably false given that a market already exists for these assets (and at clearance levels that Citi and BofA as buyers apparently believe is fair -- see no. 1 above). Even assuming that a market didn't currently exist, isn't this supposed rationale eviscerated by the PPIF's envisioned creation of a functioning market?

3. How does the FDIC respond to the growing chorus of respected economists (including Paul Krugman and Joseph Stiglitz) who believe this plan ignores the grave structural problems in the banking system and ultimately will not work, causing even greater distress to the financial system and highers costs to the taxpayer in the long run?

4. Can the FDIC point to any arms-length transaction in which one party has provided 92% of the capital and financing on a non-recourse basis and agreed to accept only 50% of the profits? If not, why should the American taxpayer? The "financial armageddon" that would supposedly result from not accepting these unconscionable terms would affect the banks and investors as well as the taxpayer. Why should the taxpayer accept the vast majority of the risk and a small fraction of the reward in order to avoid it?

The FDIC may be well-intentioned, but this plan isn't likely to work and is certainly a bad

bargain for taxpayers. Please reconsider it.

Peter Sloane