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To: LLPComments
Subject: Legacy Loans Program

My name is Rogan Jones. I am a director of a small 100 million dollar community bank in Bellingham Washington. Here are my comments below. Thank you for trying to help all of us work through this problem.

1. Which asset categories should be eligible for sale through the LLP? Should the program initially focus only on legacy real estate assets or should any asset on bank balance sheets be eligible for sale? Are there specific portfolios where there would be more or less interest in selling through the LLP?

   Limited to real estate.

2. Should the initial investors be permitted to pledge, sell or transfer their interests in the PPIF? If so, how should the FDIC ensure that subsequent investors meet the program's criteria for investors?

   Whoever buys it must have a local presence. Or this won't work. Investors owning paper outside of their community has been part of the problem. But yes if the new investors qualify they should be able to sell it.

3. What is the appropriate percentage of government equity participation which will maximize returns for taxpayers while assuring integrity in the pricing by private investors? How would a higher investment percentage on the part of the government impact private investment in PPIFs? Should the amount of the government's investment depend on the type of portfolio?

   I don't think they should take an equity portion of the deal. Keep it like TARP, just a modest return on the governments capital. The government shouldn't provide too much leverage. Remember it was poor underwriting that got us into this. At LTV of 75% if the PPIF goes bad then the government can wipe out the investors and start again.

4. Is there any reason that investors' identities should not be made publicly available?

   No it should be public.

5. How can the FDIC best encourage a broad and diverse range of investment participation? How can the FDIC best structure the valuation and bidding process to motivate sellers to bring assets to the PPIF?

   Make the auction as broad as possible. Start with a one month auction of just individual assets. If the bank wasn't to take the deal let them do it. Then the next month limit it to just pools of assets that are from one bank. Same thing but the investor group must take then entire pool

based on asset type. IE: spec land, spec homes, condos,etc. Then the final month its all pooled up in to large regional pools.

6. What type of auction process facilitates the broadest investor participation? Should we require investors to bid on the entire equity stake of a PPIF, or should we allow investors to bid on partial stakes in a PPIF? If the latter, would a Dutch auction process or some other structure provide the best mechanism for bridging the potential gap between what investors might bid and recoverable value? If multiple investors are allowed to bid through a Dutch auction, or similar process, how should asset management control be determined?

   Stage the auction. Syndicates must join up and figure out who their manager is.

7. What priorities (i.e., types of assets) should the FDIC consider in deciding which pools to set for the initial PPIF auctions?

   The largest discounts will be for raw land. Then large McMansion homes, then condos, then cheaper spec homes. So I would start with the best stuff first. IE cheaper spec homes.

8. What are the optimal size and characteristics of a pool for a PPIF?

   Again stage it and then as the bank refuses the first few bids then let it get pooled up into bigger and bigger pools and most likely a larger and larger discount on the pool.

9. What parameters of the note and its rate structure would be essential for a potential private capital investor to know at the time of the equity auction to provide equity?

   Do you mean the governments note? I don't know how to price this. But the government shouldn't be looking for a huge return on their money. 5.5% is what TARP was and it wasn't tax deductible. The terms for paying back the government should be very flexible and long term. Sort of like a Student loan. We want to build credit back into the system and it looks like you are by offering generous terms.

10. Would it be preferable for the selling bank to take a note from the PPIF in exchange for the pool of loans and other assets that it sells? Alternatively, what would be the advantages and disadvantages of structuring the program so that the PPIF issues debt publicly in order to pay cash to the selling bank? Would a public issuance of debt by the PPIF limit its flexibility compared to the issuance of a note to a selling bank?

    I thought the point was to get liquidity back into banks. Give them cash. Also make the PPIF pool buy stock in the bank or let the bank use some of the proceeds as capital. This will really fix things.

11. In return for its guarantee of the debt of the PPIF, the FDIC will be paid an annual fee based on the amount of debt outstanding. Should the guarantee fee be adjusted based on the risk characteristics of the underlying pool or other criteria?

No. I thought you wanted to stay out of the pricing area. So if the auction is split up by asset type the market price should take care of this.

12. Should the program include provisions under which the government would increase its participation in any investment returns that exceed a specified trigger level? If so, what would be the appropriate level and how should that participation be structured?

    No, the government should look at this as a modest return. We are all trying to fix this toxic problem and get our economy going again.

13. Should the program permit multiple selling banks to pool assets for sale? If so, what constraints should be applied to such pooling arrangements? How can the PPIF structure equitably accommodate participation by smaller institutions? Under what process would proceeds be allocated to selling banks if they pool assets?

    Do the different staged monthly auction as described above. This should result in a lower discount rate for participating banks. The banks could just not accept the bid price.

14. What are the potential conflicts which could arise among LLP participants? What structural arrangements and safeguards should the FDIC put into place to address or mitigate those concerns?

    They could try to collude. Which is against the law. However if the bank didn't have to take the bid then so what. In fact, individuals might not get a property at the right price, but with a team and a larger discount rate they might be able to join up in the next pool bidding the following month.

15. What should the relative role of the government and private sector be in the selection and oversight of asset managers? How can the FDIC most effectively oversee asset management to protect the government's investment, while providing flexibility for working assets in a way which promotes profitability for both public and private investors?

    Each bidder must have a qualified asset manager. IE a local presence. Some of these problem loans are going to take a lot of work to fix. For example they will need a contractor to finish construction, or they will need a special leasing agent to get renters in.

16. How should on-going servicing requirements of underlying assets be sold to a PPIF and paid for? Should value be separately attributed to control of the servicing rights?

    Yes, each PPIF must have its own deal with a servicer. If the fee is too high the government shouldn't get involved. Or then again the government should just worry about getting their modest return. Let the investors pay the servicer what they think is fair.

17. Should data used by the independent valuation consultant, as well as results of such consultant's analysis, be made available to potential bidders? Should it be made available to potential sellers prior to their decision to submit assets to bid?

    Yes, make the bank get an updated appraisal. Make the bank pay for this to be able to participate. And yes it should be public information.