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To: LLPComments
Subject: Legacy Loans Program

Thank you for the informative conference call today. Some thoughts and questions:

1. We would like to see addition of OREO and other assets into the program.
2. We feel a reasonable reserve would be fair and it should not be revealed to investors.
3. If assessments are levied against banks, can we amortize the expense over a period rather than all at once. Also, could you potentially have a new auction prior to finalizing losses to see if you could minimize the loss?
4. How will you assign responsibility for servicing the loans after the auction? The concern is how will you pool loans from different areas of the country and if you were to regionalize pools could you potentially see some discrepancy in areas with less growth (rural areas) and have lower priced pools that would still perform as well in the end? And, if the bank is required to service the loans, they should be fairly compensated for their time. I would think an upfront fee and a fee upon maturity of the pool or if the investor were to sell it. This way the FDIC, bank, and investor all have responsibility, but get compensated for time and risk. If we are responsible for repaying the reserve account if they fail we should have the opportunity to benefit from our efforts in collecting.
5. If you have underwater construction loans how will the projects be completed? Who will fund the remaining construction costs?
6. Consider setting up a structure that benefits the investors to sell in open market as soon as possible to get the risk off the FDIC.

Below are comments on your suggestions if any:

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? **Any real estate should be included. OREO as well.**

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? **They should only be able to sell and when they do release the FDIC from its liability. Thereby eliminating the need to continue with that part of the pool. This would lead to moving these out of the program.**

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? **Minimum 25%-Maximum 50%. I think you would want to do this based on the quality of the pool. Obviously higher quality pools will get higher bids, so you could take less exposure.**

4. Is there any reason that investors' identities should not be made publicly available? **No, because they are going to have to service the debt and they should be known as they will have to comply with new regulations on loan modifications, etc.**

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? **Allow investment from pension funds, mutual funds, private funds, hedge funds, etc. This would allow most people to get in an investment while having managers in place to work the debt. Require assurances from investors as to their ability to satisfy servicing requirements in a ethic and prudent manner. No loan sharking.**

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? **I think it would be wise to have each pool sold entirely to the highest bidder. If they choose to take on investors they have to deal with that on their own. The FDIC would only deal with the lead and the only way out is if they sell the whole thing, which would release the FDIC risk.**

7. What priorities (i.e., types of assets) should the FDIC consider in deciding which pools to set for the initial PPIF auctions? **OREO would be a boost to banks holding foreclosed property. Otherwise, commercial first and residential real estate 2nd. Beyond that take any of it.**

8. What are the optimal size and characteristics of a pool for a PPIF? **$5-10 million pools would get a lot of action going. It might help spread risk and help keep things regional.**

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? **90 Days should give ample time for the banks to get everything in order and provide any compliance to customers for these changes.**

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? **If the bank is required to maintain service, they should be compensated up front and again when the pool matures or is sold.**

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? **Yes, this would be acceptable. Also, if the bank must continue to service the debt they should receive some credit for this if the FDIC receives an annual fee (maybe in DIF credit)**

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, don't changes the rules down the road. Made a deal and stick with it. It is best for the auction.**

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? **Only in the case of them having a participation where they are sharing collateral. Otherwise keep it separate.**

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? **Non recourse against the bank or FDIC for investors. Set clear restrictions for holding companies and bank investments so they cannot buy their own collateral in a pool without participating in equal amounts of other pools.**

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? **Put the private investor in a position to buy out the full portion of the investment in a few years if that is possible. Sweeten the deal for them and take the risk away from the FDIC. If this is possible.**

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? **Ideally the purchaser would take the servicing rights, but you might be able to have pools where the bank manages the debt for the investor for a fee. Again, this could be handled like a MBS with pay downs, but pay a servicing fee up front and at the maturity of the pool.**

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? **Open book is best for all, but you must protect the borrowers and probably have confidentiality rules so there is no recourse from borrowers if they find out they are involved. They may quit working with the bank (if they are).**

I tried to answer to the best of my ability. This is very complex and small banks aren't fluid in collateralizing and pooling loans, so make it simple for us and realize we don't always make loans that look and feel exactly the same. That is why we are in business and compete with large banks.

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