From: Mike Garibay [mailto:mikegaribay2005@yahoo.com]
Sent: Friday, April 03, 2009 1:34 AM
To: LLPComments
Subject: Legacy Loans Program Robert E. Feldman

The FDIC is requesting comment from interested parties on all aspects of the proposed LLP. In particular it has formulated the following questions for interested parties to consider:

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?

The legacy real estate assets should be first in line to be liquidated since they have been first in line in creating asset depreciation, illiquidity, over supply of Reo property, non-performing loans attributing to same. Credit card loan, student loans, business loans, etc. are secondary to include in the LLP, and should be worked on separate portfolios sales.

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?

We see no problem for initial investors ability to pledge, sell, or transfer their interests in the PPIF since the subsequent investors sould be required to meet the same criteria as the former investor.

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?

The governments percentage should be 90% net profit, and the private investor’s net profit should be 10% with non-recourse position to include it initial investment protected and guaranteed as well by FDIC or Treasury in return for 10% reduction from the 20% offer previously.

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

The should be no problem for investors' identities to be made 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?

The broad and diverse range of investment participation can only occur under a good faith offering from the FDIC and the Treasury made publicly through the media to everyone that could qualify through past experience in the real estate business, lending business, asset management business, and investment funds.

The sellers can not bring over priced assets to the table and expect to find bidders. The bidders will be motivated to come to the table to bid by the attractive leverage offered by the FDIC and Treasury enhancing the valuation structure further by the seller discounting their assets to a point where they can recycle the illiquid assets cash and further after offer to first time buyers and investors new purchase loans I have outlined at the end of paragraph 17 below.

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?

The partial stakes blind bid allowing multiple bidders awarded to the highest bidder, and with an irrevocable commitment from the bank seller within a 10% range above or below the reserve set price. Asset management control to be determined over a five year period and revocable under conditions set by the FDIC for any gross negligence occurrences.

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

Our priority as to the types of assets would be related to residential non-performing, semi-performing, and fully performing first position loans, as well as REO portfolio properties.

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

Optimal size in our case would be 50-200 Million in the characteristics of pools of non-performing loans, semi-performing loans, and REO portfolio properties.

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?

In our case we are open to any rate structure and note parameters, and our interest starts with an open opportunity along side the large asset manager.

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?

The selling banks taking a note from the PPIF in exchange for the pool of illiquid, non-performing assets will not help the selling banks directly with liquidity, yet it will clean-up the selling bank's balance sheets. Public issuance of debt will bring in cash to the selling bank to re-lend immediately, and it maybe something out of the box thinking from my part an idea that I did submit to the Federal Reserve and the President that I want to share as well with the FDIC at the end of paragraph 17 for your review.

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?

The higher risk characteristics taken on by the FDIC should be equalized by not allowing price reserves set too high by the potential sellers.

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?

The trigger levels should be structured to allow investors no more than 10% return on profits of total asset purchased non-recourse and the cash-in-investment from the investor fully guarantee by the FDIC. The general public will be happier that as tax payers, they are getting a larger return and the investor/asset manager a smaller more fair percentage.

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?

The larger institution pooled assets for sale should be sold to the largest investors and proceeds allocated on a percentage basis, in the same way as on percentage basis for the small institutions to the small investors.

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?

The greatest potential conflicts that could arise by excluding many qualified smaller investors in the bidding process, and the best safeguard by the FDIC would be to be open to every qualified investor regardless of size.

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?

We believe that the FDIC should not only utilize large selected asset managers, but also small investors that specialize in working with these type of assets. Using only selected large asset managers will bring negative opinion from the masses at large, but by spreading the opportunity across various sized asset managers will show good faith from the part of the FDIC.

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?

We think the leveraging element involved here is the right step in the right direction allowing all asset managers involved to control of the servicing rights as well.

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?

Independent valuation data should be available to small investors interested in bidding for the smaller assets along with the potential sellers prior to decision to submit assets.

Comments on the LLP may be submitted until April 10, 2009.

You may submit comments by any of the following methods:
E-mail: LLPComments@FDIC.gov. Include "Legacy Loans Program" in the subject line of the message.

Mail: Robert E. Feldman, Executive Secretary, Attention: Comments, Federal Deposit Insurance Corporation, 550 17th Street, NW., Washington, DC 20429.
Hand Delivery/Courier: Guard station at the rear of the 550 17th Street Building (located on F Street) on business days between 7 a.m. and 5 p.m. (EDT). Sphere: Related Content

Paragraph 17. Continued, below is correspondence with the Federal Reserve.

----- Forwarded Message ----
From: "FRB.Mail@frb.gov" <FRB.Mail@frb.gov>
To: Mike Garibay <mikegaribay2005@yahoo.com>
Sent: Wednesday, February 25, 2009 11:58:17 AM
Subject: Response to your e-mail concerning: Board Members

Dear Mr. Garibay:

Thank you for your recent correspondence in which you shared your views on efforts to relieve the current strains on the U.S. financial system. Healthy economic growth depends on well-functioning financial markets. Consequently, helping the financial markets to return to more normal functioning will continue to be a top priority of the Federal Reserve.

The Federal Reserve has learned from historical experience with severe financial crises that if government intervention comes only at a point at which many or most financial institutions are insolvent or nearly so, the costs of restoring the system are greatly increased. This is not the situation we face today. The Congress and the Administration chose to act at a moment of great stress, but one at which the great majority of financial institutions have sufficient capital and liquidity to return to their critical function of providing new credit for our economy. The steps being taken now to restore confidence in our institutions and markets will go far to resolving the current dislocations in the markets. Chairman Bernanke believes that the bold actions taken by the Congress, the Treasury, the Federal Reserve, and other agencies, together with the natural recuperative powers of the financial markets, will lay the groundwork for financial and economic recovery.

Again, thank you for taking the time to write. Please be assured that the Federal Reserve is working diligently to find and implement the best and most sustainable solutions to the current economic challenges.

Sincerely,

SD
Board Staff

Original Email Content:

Following is the original e-mail received:

First Name: Mike
Last Name: Garibay
E-Mail: mikegaribay2005@yahoo.com
Profession: Real Estate Professional
Organization: Coldwell Banker
StreetAddress1: 660 W Huntington Drive
StreetAddress2:
City: Arcadia
State: CA
Country: US
Postal Code: 91007
Referring URL: .

E-mail Content:

Please forward to Mr. Chairman Bernanke:

Please review a simple idea for a very complicated condition as seen by a real estate professional:

1. You could liquidate large volumes of residential properties to eliminate an over saturated supply of homes for sale through the MLS systems, auction events, and millions of foreclosed property across the USA through a very simple process.

2. The idea is simple enough using the raised funds through your stimulus package or any other funding Fannie Mae, Freddie Mac, and all the national banks in the country immediately by structuring a 2% interest rate fixed amortized over 30 years purchase money only for short period of time (0ne year). Purchase money only loans @ 2% fixed over 30 year amortization would serve to stimulate a buying frenzy and getting first time buyers and investors back into the residential property purchasing market that will normalize the difference between supply and demand.

3. A purchase loan at 2% fixed rate amortized over 30 years for example, over a one year period, would motivate and bring back immediately millions of investors holding out for the residential real estate values to plummet another 10%-15%.

The purchase loan at 2% fixed rate amortized over 30 years would facilitate first time buyers affordable opportunity to buy now at present values. Properties sold at present values will stop the hemorrhaging value destruction to the lending institutions, and in-turn recreate immediate confidence again in the real estate market. Negative equity would be stabilized at today's levels once a flood of first time buyers and investors can afford lower mortgage payments against perceived overpriced homes.

Example:

Approximate Numbers Purchasing a California home today at an average of $500,000 @20% down payment with FHA or Conventional interest rate @ 5% equal monthly payment amount of $2,147.29. Home price $500,000.00 @20 down payment FHA or Conventional interest rate @ 2%: Payment amount $860.21 The average time to liquidate 6 Million homes annually nationally is 4 ½ months time at the peak of the real estate market. The present market time is closer to 12 months, plus inventories that are being foreclosed daily at 6,000 to 10,000 properties making up 40%-60% of all listed properties in all MLS system nationally creating market supply flooding.

The loan program mentioned above would make the mortgage payments affordable over 30 years that would create a definite affect on the existing residential purchase market (20% negative equity nationally) and offered with no loan size limits on all property prices purchase money. The president's and Treasury program unveiled so far does not go far enough and home owners will continue to dump over priced properties (negative equity) instead of selling them which they would prefer.

The President, The Federal Reserve, and Treasury should immediately subsidize a 2% fixed rate purchase loan amortized over 30 years that would open a purchase market tsunami plus every all other programs in place now (loan modifications). Stabilize the housing market today by affordability, and do it in-front of curve, not behind the curve.

Sincerely,

Mike Garibay
Coldwell Banker
(323)947-7698

p.s. Using cash recovered by the selling banks through the PPIP program of illiquid assets that produce today zero return or negative return and using these same funds to finance or subsidize the 2% fixed rate 30 year amortized purchase money loan for one year period would un-freeze a buying tidal wave in the residential markets national. The 2% fixed rate over 30 years amortized purchase money loan offered as a special program through these same banking institutions would further un-freeze illiquid assets presently tide up in the same REO properties they now hold in their portfolios. It would facilitate immediately and move off illiquid assets of their balance sheets through the same purchases from the first time buyers and investors the same assets the FDIC, Treasury, and the Federal Reserve wants to liquidate.

In the event that my idea is used, I would appreciate future business in the form of REO properties offered to me to market. Thank you. Mike Garibay