
From: Bill Lynch [mailto:LyncW@foster.com]
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To: LLPComments
Subject: Comments on Legacy Loans Program

I respectfully submit the comments below with regard to questions 1, 2, 5, 10 and 13:

1. The program should initially focus on loans for which there is the greatest need to establish a market price. The prices of legacy real estate assets have been greatly affected by the current lack of liquidity, and are an appropriate focus for the initial stage of the program.
2. The Manager of the PPIF can assume responsibility to ensure that subsequent investors meet the program's criteria for investors.

5. The FDIC and Treasury can best encourage a broad and diverse range of investment participation by establishing alternative structures with, and without, protection against some of the risks that may dissuade investors from participating. For example, investors have expressed concern about the potential applicability of restrictions on executive compensation, which now apply to a "TARP recipient" under provisions that § 7001 of the American Recovery and Reinvestment Act of 2009 added to § 111 of the Emergency Economic Stabilization Act of 2008. To weigh the effect of these concerns, the Treasury and FDIC should consider establishing standard forms of alternative structures, one of which would not involve any use of TARP funds and the other of which would clearly use such funds. By allowing investors to submit alternative bids for a structure that is free of TARP-related restrictions and for another structure that is clearly subject to TARP-related restrictions (under current law), the Treasury and FDIC can gauge the effect of these restrictions on the breadth and diversity of investment participation. Also, to motivate sellers to bring assets to the PPIF, the FDIC should allow the selling bank to specify alternative prices for the assets to be sold, depending on the kind of consideration to be received by the selling bank. A selling bank should be allowed to specify one price for an asset to be sold for cash, and another for an asset to be sold in exchange for a note that the selling bank would hold. (See comment #10 below)

10. It may be preferable to allow the selling bank to take a note from the PPIF in exchange for the pool of loans and other assets that the bank sells, depending in part on the risk-weighting of the note. If the Federal banking agencies were to agree that the appropriate risk-weighting of the note would be 0% or even 10%, for example, then bankers could contemplate transactions that, by materially restructuring their balance sheets, would materially improve their risk-based capital ratios. A 0% percent risk-weighting would appear to be appropriate for this debt because it would be guaranteed by the FDIC and collateralized by the purchased assets. This alternative of allowing a note from the PPIF to be held by the selling bank may materially lower the hurdle of transaction costs. Smaller transactions may be economically viable if the selling bank may take a note from the PPIF. Thus, the availability of this alternative would enhance the attractiveness of the program to relatively small insured depository institutions. The other structure, in which the PPIF issues debt publicly in order to pay cash to the selling bank, would typically involve higher transaction costs and, therefore, require a larger transaction size to be economically viable. Furthermore, the need for simplification and standardization of securities characteristics and offering terms may limit the flexibility of a public issuance of debt by the PPIF, in comparison to the issuance of a note to be held by the selling bank. Both transaction structures should be allowed, so that institutions may test the markets for both structures.

13. The program should permit multiple selling banks to pool assets for sale. Such pooling would facilitate participation by smaller institutions. Although the need for such pooling would be less critical if smaller institutions have the alternative of holding PPIFs' notes (see comment #10 above), pooling should be allowed. The banks participating in the pool can determine the

constraints to be applicable to the pooling arrangements and the allocation of sale proceeds. Alternatively, the FDIC may establish general standards that apply, unless (as under some provisions of the Uniform Commercial Code) the participating banks agree otherwise.

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