From: josh simon [mailto:joshsimon@flfholdings.com]
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It is unreasonable to expect that auction prices will be at levels necessary to support bank participation if assets are sold in pools starting at $1 Billion. Large pool sizes will greatly limit the field of potential bidders due to capital constraints but more importantly due diligence constraints. Many of the investors capable of taking down multi-billion dollar pools do not have the man power to easily evaluate pools containing dozens, hundreds, or thousands of loans nor do they have the operational capabilities to manage the assets (non-performing loans will soon become owned assets) which is why these companies were previously the large acquires of securitized asset pools. In order to secure a high price on loans and encourage bank participation loans will need to be pooled in small enough sizes and in a small enough geographic region to entice bidders with local knowledge and experience to participate. Without local expertise and prior experience in specific markets, bidders will only make offers that are low enough that they cannot get hurt.

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