Subject: "Legacy Loans Program"

In response to the FDIC "Legacy Loans Program" request for comments we submit the following outline for you review.

In order of questions asked.

1. We would strongly suggest that eligible asset categories initially include only legacy real estate assets. Once program underwriting guidelines are established, the real estate asset values can be easily defined by third party consultants. Perhaps the biggest challenge will be the quality of the product. We would assume that the banks will be trying to dump the worst of their respective portfolios which must be addressed. With the overall market depressed, how will the incentive factor be enhanced in order to attract the investor pool? The approach of 'buy and hold' may be prevalent and this will serve to drive down values at point of purchase.

2. Would suggest a minimum holding/participation period which would reduce the initial speculation factor. Pledge of interest should be prohibited, any transfer or sale should include caveat that original investor retain, at very least, 10% participation, and any new entity/investor would have to pass rigorous qualification standards (credit, experience).

3. It would seem that the 50% participation on equity side would be maximum. Otherwise, once the 'private investor' falls below that level, issues of controlling the decision making become counter productive for the private investor and the 'deal' becomes even less attractive. Additionally, the easier the entry for the 'private' side the more the question of quality becomes an issue.

4. From a transparency standpoint it makes sense to identify all parties. Not sure though from a legal standpoint if this creates any issues.

5. Greater investment participation would occur if process is transparent, provides equal access for all, includes standard qualifications, standardized documentation, timely responses and clear and concise valuation procedures.

6. Quantity of investor participation should be limited per pool. This will provide for easier internal management, less probability of disputes. Concerning the auction process, perhaps a 'Dutch' approach with an internal, predetermined floor based on competent 3rd party underwriting. Once again the hurdle will be the valuation of product. Many legacy loans have suffered dramatic value erosion and the process participants, particularly the sellers, must come to grips with this fact. Recently, several banks have gone through the sealed bid process and have been stunned with the numbers being offered. This is not going to change for some time and unless the seller entity addresses reality the process will fall apart due to no activity.

7. FDIC priorities for initial auctions should focus on highest quality, lowest risk, predetermined by a combination of competent 3rd party underwriting and end market sales viability. Need to gain momentum, positive press and build confidence in process with public, potential participants and selling institutions.

8. Size of pool can vary in order to encourage multi level participation but the characteristics must include a blend of product quality so that 'cherry picking' does not occur. Additionally, pools should be consistent with their product mix, i.e. residential land and product should be bifurcated from commercial/industrial product.

9. Basic debt parameters should include at the least....

Terms- Should vary based on characteristics of the asset, i.e. commercial, industrial, residential, entitled/unentitled land.

Rate- Will note rate be fixed, vary with libor/prime etc?

Reset- Need to understand call/principle reduction rules. Banks normally retain right to re appraise asset at their convenience during loan term. Should market values continue to deteriorate post auction, equity sources would need to know terms of required pay downs, if any.

Interest Reserve- Requirements for reserve set aside and future funding if depleted.

Guarantees- Non recourse?

Release Provisions- For residential product, release price schedule of par or?

11. Whatever fee schedule is, basis for determination must be transparent. Additionally, who would determine 'risk characteristics' criteria?

13. Pooling by multiple selling banks could be permitted. However, care should be taken in limiting the geographic diversity of the pool product. Pools would be more marketable if end product is not spread across to broad an area. Perhaps, product should be segregated into regional pools. This would allow for better cost containment of underwriting and servicing costs.
The allocation of proceeds would be set based on % of value of pool going in and adjusted accordingly as prices rise or fall.

14. Once again, the success or failure of program will hinge in large part on the thoroughness of the initial structure and the simplicity and transparency of the process. Conflicts could arise and be related to vague decision making guidelines. Strict management and reporting policies must be set. Perhaps have third party dispute resolution system with FDIC oversight.

15. Initially asset management role must be defined relating to powers, duties and compensation. Oversight by FDIC can be administrated through periodic written reports

and regular in person meetings between manager and FDIC designated representative. Compensation incentives, while limited, could be established based on revenue increases and time line improvements.

17. The valuation process, including data and rationale, should be made available for review by all bid participants. However, there should not be any direct access allowed to consultants by bidders.

We sincerely appreciate the opportunity to submit comments/questions and participate in the process. In closing, would encourage open access to the effort for all potential, qualified participants,
large or small in size.

Herb Palmtag
President
TPG Partners

CCR Registration: Active
DUNS: 829610802
CAGE/NCAGE: 5COK4

619 542-0874
619 542-0808 Fax

hpalmtag@aol.com