April 9, 2009

My name is Gordon Jardin. I am Chief Executive Officer of Franklin Credit Management Corporation (FCMC), an independent servicer of residential mortgages based in Jersey City, NJ. [redacted]

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We compliment the Treasury Department and the FDIC for these innovative initiatives. Given our considerable expertise dating back to the days of the S&L crisis and RTC, we are confident that FCMC can provide value added assistance and insight into two critical aspects of the PPIF process:

- The due diligence/valuation process, and
- The servicing, collection and resolution of mortgage loan portfolios particularly those containing distressed assets and seriously delinquent and defaulted borrowers.

We would gladly develop a smaller institution approach which we and others could be considered to manage with FDIC oversight. We would be happy to answer any questions via telephone or meet with you in Washington.

I will now provide my comments on your initial questions:

**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?**

We agree an important ingredient to US economic recovery is the stabilization of real estate values and the primary purpose and focus of LLP should be legacy real estate assets. There will be a sufficient amount of assets for sale. Partnerships are being formed to target these specific assets. It is our belief that the best outcome possible will be if FDIC management and oversight is initially restricted to this class. This is not to say that there are not issues in other asset classes, but simply to say that this one class is large enough to have as a single focus.

It is anticipated that the injection of Treasury and FDIC leverage into these legacy asset portfolios will have a significant impact on providing liquidity for performing and sub performing loan portfolios secured by real estate. We believe your program will generate significant interest in residential first and second mortgages, HELOC loans, and commercial real estate assets of various classes.

**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?**

Not immediately. We believe the investors should have a three to five year holding period, and not a short term trading orientation.

However, having a secondary market will provide liquidity for any party and will encourage other parties to provide private debt financing.

We believe there should not be a total restriction on foreign investors, but perhaps a reasonable restriction.

**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?**

We think the 50/50 partnership makes good sense, and leverage should be prudent. Initially, due to the perceived risk involved with these portfolios, investors will likely expect a leveraged IRR in excess of 25% over 3-5 years, and leverage should accommodate the base case of any pool to achieve this minimum return. Since the taxpayers will share in this, they can recoup some of the immediate cost. As the program evolves and succeeds, expected returns should begin to drop and the immediate cost to taxpayers will decline.

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

We have no position/opinion on this.

**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?**

Certainly ensuring that portfolios to be auctioned are diverse by size and by asset type will allow a broad diversity of bidders and best execution. As we mentioned before, we believe foreign investors should not be excluded, but limited. .Portfolio analysis and due diligence resulting in loan sale data stratification is critical to generating investor interest and maximizing participation, bid and closing dollar results. We believe it is critical to permit investor groups to undertake this independently.

Depending on the institution and the aggregate amount of loans to be sold we believe that individual asset pools of homogeneous assets should range between $25-$100mm.

**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?**

We believe the broadest investor participation will be encouraged if the private sector forms groups of investors directly, and then presents its group to the FDIC for an equal equity participation. It has been our experience that auctioning homogeneous portfolios of assets results in best execution for the seller, albeit it requires more work from the seller or the seller's consultants. This is an interesting process, in that we have already seen potential buyers who have an interest in assets as finely defined as by asset type, performance, and even by location (state). Therefore this should be considered when creating individual PPIF's.

It is our opinion that a sealed bid or outcry auction process works best with a screening and closing process for investors similar to the processes developed by the RTC.

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

Perhaps the first auctions should be for the least troubled assets, so that they are assured a clearing price. Also, as stated above, we believe that more intensive preparation work will lead to better price performance for the seller.

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

There should be a minimum size (perhaps $25mm) since the time investment by the FDIC and investors in a given auction is somewhat inelastic with respect to the number of assets offered. It is our belief that homogeneous portfolios will produce the best execution.

**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?**

Since the financing terms will affect the final price/return equation, this information should be known prior to the time of bidding.

Pools should be offered a "higher leverage" and "lower leverage" option. In the former, the waterfall preference should be given to the debt, and in the latter it should be on a normal amortization over five years with no prepayment penalty.

**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?**

It would appear to be more expeditious for investors for the debt be issued by the bank and guaranteed by the FDIC (subject to TARP limitations). However, rapid cash inflow to the banks has its advantages with regard to reserve improvement. Presumably, a note guaranteed by the FDIC could be monetized fairly quickly by the selling institutions.

**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?**

No. If the FDIC has the final approval on the amount of leverage this may create a conflict of interest.

**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. This could create a conflict of interest with the other equity holders in a given PPIF. Since different asset classes will have different risk patterns, the FDIC should manage risk by either varying leverage by asset class or varying the annual fee by asset class. Since the FDIC seems to have chosen the ability to vary leverage it should not also need to vary the fee.

**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. This could create a conflict of interest with the other equity holders in a given PPIF.

**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?**

We believe assets should not be pooled among institutions since this will slow or stall the decision process on acceptance of a bid. However, in order to generate interest and maximize sale proceeds it may be necessary to combine the loan portfolios from several institutions to establish critical mass with particular classes of assets.

**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?**

As both an equity holder and debt holder (guarantor), the FDIC has a definite conflict of interest. If the FDIC is to determine the amount of leverage, the PPIF's Board should be controlled by the private investors.

**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?**

Asset managers should be chosen based upon their history of dealing with at risk borrowers, their ability to take on additional assets, and their financial support. The FDIC should require a good cross section of asset managers so that it does not become too dependent upon only a few managers. The FDIC should be provided complete reports on a monthly basis, and be notified and welcomed at any monthly oversight meeting. Within a well defined set of guidelines, the asset managers should have the freedom to maximize returns.

**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?**

Fees should be based on an arms length transaction between the investors and the servicer. The FDIC should review and comment on the servicing contract, to ensure it is based on an arm's length transaction. The FDIC must recognize that it should have servicing contracts that pay for performance, not just focus on low cost. Performance can more than pay for itself.

**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?**

There should be more definition from the FDIC on the selection and role of independent valuation consultants. What party is retaining the consultant-the selling institution or FDIC? As previously stated, investors should have the opportunity perform their own due diligence and valuation; however industry standard property valuation material such as BPOs and AVMs should be made available at due diligence and their value should be reflected on the bid tape in an effort to minimize price fades from bid to closing.

Sincerely yours,

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