Legacy
BANK

The Private Bank

April 10, 2009

Delivered via e-mail, to LLPCComments@FDIC.gov and by U.S. Mail

Robert E. Feldman
Executive Secretary
Att'n: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

RE: Legacy Loan Program

Dear Mr. Feldman,

As stated by Chairman Bair on several occasions, two of the objectives of this program is to 1) remove certain troubled and other assets from banks and 2) be available to banks of all sizes. During the investor call on April 9th it was disclosed the proposed structure, due to cost, would probably necessitate pools of $1 billion or more. This approach will virtually eliminate all community banks from being able to participate in this program.

Presently there are numerous equity investors willing to invest in community banks around the Country. However, the existence of troubled assets on banks' books have made investors want to wait until they see a clear upward movement in the economy including real estate values OR they are standing on the sidelines waiting for banks to fail so they can structure deals with the FDIC. These same equity investors are willing to invest NOW if some of the troubled assets can be removed from the banks' books. They would be willing to invest in this program as well if it can help them to structure a deal to invest in the Bank. Concerns about gaming the system can be addressed and mitigated. By opening the program to the same NEW investors on smaller transactions (pools $10MM or greater), more investors would be participating in the bidding process.

For smaller pools, it may be more cost efficient for the originating Bank, to bid on servicing the pool particularly if common investors become allowed.

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In 2008, 24% of the U.S. banks were unprofitable. Over 70% of the Arizona based banks were unprofitable. The first quarter of 2009 continued to be difficult. None of these banks to my knowledge made sub-prime loans. They all competed in a difficult environment where five major problem financial institutions have been merged or been eliminated. They all have high CRE ratios due to the immaturity of the Arizona market and the lack of C & I loans available for diversification. As a result, only one newer small bank received CPP funding even though the amount to fund all of the Arizona based banks would only amount to $169MM. This program, if properly structured, could have a material impact on banks in our state and other states where similar problems exist.

These same banks, if allowed to participate will be here serving their communities to help bring us out of this unprecedented economic situation. This program, if properly developed, will cost the FDIC and Treasury less than allowing many otherwise viable banks fail.

Thank you for your consideration.

Yours truly,

Julian L. Fruhling
President