From: Sorensen, John [mailto:jsorensen@iowabankers.com]
Sent: Monday, April 13, 2009 3:05 PM
To: LLPComments
Subject: Legacy Loans Program

Mr. Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429

Re: Legacy Loans Program

Dear Mr. Feldman:

The Iowa Bankers Association appreciates the opportunity to comment on the Legacy Loans Program (LLP) recently proposed by the United States Department of Treasury and the Federal Deposit Insurance Corporation (FDIC). The announced purpose of the program is to cleanse bank balance sheets of distressed loans and other assets and reduce the associated market overhang. Accomplishing the stated purpose will require participation from all sectors of the United States banking system, meaning urban and rural banks, both large and small. This broad eligibility will also be important to ensure a broad scale recovery of financial markets and regional economies.

Although the Iowa economic climate has been more favorable than other parts of the country, a few large residential developers with a significant Iowa footprint have struggled as a result of the national housing decline. A few developers have ceased operations leaving a fairly small number of traditionally well run banks with problem credits on their books. This seems to be just the type of circumstance that the LLP was designed to address. To accomplish this, the FDIC must ensure small banks with smaller loan pools can participate through multiple-seller pools.

The FDIC should also consider expanding the eligible asset classes beyond just residential or commercial real estate. It seems as though maximum flexibility, in conjunction with guidance from the appropriate regulatory agency, would improve the chances of program success. Commercial and industrial loans and real estate owned property (REO) should also be considered.

Finally, the IBA is very concerned about diluting the FDIC brand identity as a result of the LLP and other programs. These new programs should be individually branded, rated and funded so as to preserve the independence and consumer confidence in the FDIC deposit insurance fund DIF). Where the DIF has exposure, premiums should be more than commensurate with the risk.

Thank you for the opportunity to comment on this important program.

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