From: Frank J. Pinero [mailto:fpinero@sequoiadebtventures.com]
Sent: Friday, April 10, 2009 6:19 PM
To: LLPComments
Subject: Legacy Loans Program

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April 10, 2009

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

Dear Sirs:

I am writing in response to your request for commentary regarding the "Legacy Loans Program." As an active participant and purchaser of distressed real estate notes through current FDIC auctions, brokerage platforms and direct bank negotiations we believe there certain actions and precautions that may be undertaken to facilitate an effective auction process.

Data Integrity & Availability. The ability to properly underwrite the subject pools is essential to the price discovery process. Depending on the complexity of the loan portfolio and auction calendar, a larger risk premia will be extracted and discounting factor applied to account for incomplete information. The "Loan Tapes" submitted by eligible banks need to be subject to some form of quality control. In our experience, the tapes provided in previous auctions has contained significant inaccuracies regarding critical information. It would also further the entire process if the tapes could be standardized.

Confirmation of Assets. There have been instances in which sales and auctions have been completed only to find out that the notes that traded had already been sold. Also there are many instances where titles have been in question or the lien positions incorrectly identified. Since interaction with the bank or borrowers is only allowed after the auction there needs to be a put provision back to the seller for misrepresentations.

Capital Investments. A preponderance of the notes that will likely be submitted as non performing will be acquisition, development and construction loans. The propensity to "retrade" paper does little to maximize an investment return and creates a saturated secondary market subsidized by the US taxpayer. The ability to monetize the deficient notes requires the ability to efficiently control and complete the underlying properties. This will require capital investments by the partnership. We would suggest this funding come from a pro rata contribution from the managing partner and US Treasury (directly or through the issuance of additional notes) up to 10% of the portfolio valuation depending on the composition of the underlying loans.

Participating Banks. There is an inherent conflict of interest for any "insured institution" that is eligible for the Legacy Loans Program to participate directly or indirectly as a bidder in the auction process. At the very least there should be an explicit ban on banks having any direct or indirect controlling interest in any prospective partnership fund. Participation should be limited to a financial interest only as a limited partner. If there is any financial interest between the Managing/General partner and investing bank at any point during the partnership term then all financing extended to the partnership should become full recourse back to the principals and investing bank.

Bid Rejection. The ability of banks to reject submitted bids combined with the shear number of eligible institutions and prospective auctions makes it difficult for potential investors to adequately underwrite auction pools due to the significant costs of time and resources. We have participated in numerous auctions where multiple investors have dedicated significant sums of time and money to underwrite a pool and then have the bank reject the offers. In order to limit undue costs on all parties and encourage an efficient market there should be a no trade disincentive. We would suggest that if three or more bids were submitted for an auction and the offering party decides not to transact, they will not be able to return to the Legacy Loan Program for one year. This is by no means unduly punitive and it requires banks to fully consider all options and valuations prior to engaging the FDIC.

Thank you for your time and solicitation.

Frank J Pinero