From: Frank O'neill [mailto:frank.oneill1@gmail.com]
Sent: Monday, April 06, 2009 12:08 PM
To: LLPComments
Subject: Legacy Loans Program

Mr. Feldman:

My question is in two parts. The first, how will the value of each asset within a pool be defined once the price for the entire pool is set through auction? The second, how do you envision both release mechanisms from the financing program, and restructurings of assets acquired in a pool financed by FDIC guaranteed debt? These are important issues for the following reasons:

1. My assumption is that you will end up allowing selling banks to package performing, non-performing, and REO assets in single pools to achieve better executions. If you let PPIF investors set the value (and hence the debt) distribution within the pool such investors will have an incentive to over-value expected term-performing assets and under-value those likely to default when providing your agency with their values within the acquired pool. This is the case as it will require a lesser repayment of the FDIC guaranteed loan as the lower-quality assets are disposed of first.

2. Assuming pools trade at a reasonable discount, it will likely make sense for PPIF's to restructure certain of the sub-performing assets in a pool. I imagine that your agency does not want to stand in the way of forbearance/restructuring that will benefit the borrower and make economic sense to the PPIF. How a restructuring will be viewed in terms of the FDIC guaranteed debt will therefore have a significant impact. This comes back to the point of how the price of a particular asset within a pool is defined. Assuming the restructured loan maintains a face value above the allocated value within the pool you should be fine as the financing proposed is not subject to margin calls, etc.

Thank you,
Frank O'Neill