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To: LLPComments
Subject: Legacy Loan Programs

1. 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?

   You should sell only legacy real estate assets which are foreclosed or non-performing.You cannot sell anything from the balance sheet. The banks will try to sell and buy their own obscure/non transparent accounts. The banks must clean up themselves since FDIC is taking care of the dirty laundry already.

2. 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?

   FDIC is trying so hard for the banks by putting in the large amount of public funds to clean up the mess created by these banks. The investor cannot sell the asset for 12 months. This way there will be enough time to stabilize the market. After 12 months, they can sell the assets with some defined criteria. Like penalty, or first right of refusal. Etc.

3. 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?

   If government gives 80% equity, they should get 80% profit after the expenses. If the asset is price incorrectly, e.g. high than both the parties investor and government will be at loss. If I am an investor, I would want to put higher share of equity to get the bigger share of the profit.

   FDIC should have equity up to 70% for the large investor and up to 95% for the small investors. The idea is to distribute to the small companies more. The risk will be divided between more small businesses. Statistically there is very less probability that 99 small businesses will fail compared with two large one. All these pension funds,

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

   You do not want investors to sell the assets and you do not want to advertise the names when the asset values are small may be up to 20 mill.

   What would you do if the bank wants to buy 200 mil properties? You will be rescuing them tomorrow.

   Prefer to sell o the smaller investors.

5. 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?

If the company is registered with CCR and the sales are smaller than e.g. $1,000,000 then govt will provide higher equity. This way you will encourage the smaller investor and also risk is distributed between more investors. This would be recommended by any actuary in the country.

6. 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?

To encourage the investors you must divide by region. The best example is FDIC website. If you divide up as a list accessible with the password, let the company pick. When they pick the asset in the nearby area, they will manage it easily and better. That is the reason 7-11 is franchising all the stores because they can be operated better when the owner is available nearby.

Eg. I would prefer to buy only the properties in Palm Beach County Florida because I live here and I can valuate property better. I would pay the maximum possible price because I know the market better.

Selling to pension funds is fine also because they will look at the overall profit. But let them bid against anyone. I can bet that I can judge better than other in my familiar area and I would be willing to pay more in my nearby area.

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

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Selling to the banks is a repetition of the history.

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

Put in as small pool as possible. It may be more work now but will easily divide up the risk. It will give a better return to the tax payer.

9. 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?

One may not want to buy the debt easily in the market. Let us think for a second:

Bank thought it was toxic. The bank thought that there is no juice left in the asset. Bank knows the history for more than 5 years or so. Now PPIF acquired it, who does not have enough background of these property. Why would any investor want to buy from the toxic asset from the inexperienced new owner?

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