Legacy Loans Program
Summary of Terms

The Federal Deposit Insurance Corporation ("FDIC") and the United States Department of the Treasury ("UST") will coordinate public-private investment funds ("PPIFs") to purchase troubled and illiquid loans and other assets in substantially sized pools from insured banks and thrifts. These PPIFs are designed to facilitate buy and hold investment strategies.

Summary of Public-Private Investment Funds

- The FDIC will oversee multiple PPIFs which will be established to own and manage pools of assets. These PPIFs will be vehicles established to purchase pools of loans and other assets from insured depository institutions ("Participant Banks") under criteria established by the FDIC. Equity in the PPIFs will come from private investors ("Private Investors") and the UST. The PPIFs will issue FDIC-guaranteed debt to expand purchasing power.
- The FDIC will provide oversight for the formation, funding, and operation of new PPIFs that will purchase assets from banks.
- The UST will be responsible for overseeing and managing its equity contributions to the PPIF. The FDIC will be responsible for overseeing the formation, funding, and operation of PPIFs and for overseeing and managing its debt guarantees to the PPIFs. In its oversight role, the FDIC will ensure that the same information is provided to the FDIC and to the UST.
- The FDIC and UST will enter into an agreement governing allocation of costs and responsibilities for the functions provided. The FDIC will be reimbursed for its expenses incurred in providing oversight.
- PPIFs will finance the purchase of eligible asset pools ("Eligible Asset Pools" and the assets comprising such pools, "Eligible Assets") from Participant Banks by issuing debt guaranteed by the FDIC. The FDIC guarantee will be secured by the Eligible Assets purchased by the PPIFs.
- The FDIC will work with Participant Banks, UST, Private Investors and contractors to administer the auctions of Eligible Asset Pools.
- Proposed financing terms and leverage ratios for each PPIF will be established by the FDIC and disclosed to potential investors as part of the auction process (prior to bid submission).
- The sale of equity stakes in the PPIFs to Private Investors will determine the total value of a specific Eligible Asset Pool (in conjunction with allowed leverage as discussed below).
- Consideration paid to Participant Banks in exchange for purchased Eligible Asset Pools will be in the form of cash or cash and debt issued by the PPIFs. PPIF debt will be guaranteed by the FDIC. Terms of the debt and debt guarantee will be as stipulated in the FDIC Guaranteed Secured Debt for PPIF Term Sheet.
- Debt and equity funding for each PPIF will occur at the closing of each Eligible Asset Pool purchase.
- PPIFs will have asset managers for asset management, and servicing within parameters established by the FDIC and UST. UST and Private Investors will share profits and losses in proportion to equity invested.

- The FDIC and UST shall establish governance procedures on the management, servicing agreement, financial and operating reporting requirements, exit timing and alternatives for each of the Eligible Asset Pools. To the extent practicable, standard documentation will be used for this purpose.

PPIF Capital Structure

- UST capital and private capital will invest proportionately at the same time in the PPIF.

Eligible Private Investors

- Private Investors are expected to include an array of different investors, including, but not be limited to, financial institutions, individuals, insurance companies, mutual funds, publicly managed investment funds and pension funds.
- Private Investor groups must be approved by the FDIC, and cooperation between Private Investor groups will be prohibited once the auction process begins to maintain fairness.
- UST and the FDIC will encourage participation by small, veteran-, minority- and women-owned firms.

Selling Bank Application Process/Asset Eligibility

- Interested banks should work with their primary bank regulators to identify and evaluate the Eligible Asset Pools to be sold to the PPIF and the corresponding financial impact on the Participant Bank from the sale of such asset pools. Regulators and Participant Banks should seek to identify and sell assets with a view to restoring maximum confidence for depositors, creditors, investors and other counterparties.
- After identifying a pool of assets to sell, Participant Banks and Regulators should contact the FDIC to express interest in participating in the program.
- Eligible banks include any insured U.S. bank or U.S. savings association. Banks or savings associations owned or controlled by a foreign bank or company are not eligible. For purposes of this program, “U.S. bank” and “U.S. savings association” means a bank or savings association organized under the laws of the United States or any State of the United States, the District of Columbia, any territory or possession of the United States, Puerto Rico, Northern Mariana Islands, Guam, American Samoa, or the Virgin Islands. UST and FDIC will determine eligibility and allocation for institutions after consultation with the appropriate Federal banking agency.
- Participant Banks must demonstrate to the satisfaction of the UST and FDIC that the contemplated loan pools qualify based upon UST and FDIC agreed upon minimum requirements.
- Eligible Assets and any collateral supporting those assets must be situated predominantly in the United States.

Asset Purchases & Pricing

- Upon determination of an Eligible Asset Pool for sale by a Participant Bank, the FDIC will oversee initial due diligence, preparation of required marketing materials and conduct the auction process. The Participant Bank will make information available to the FDIC and Private Investors to facilitate the bidding process. FDIC responsibilities will include the review of received bids and selection of the winning bids.
- A third party valuation firm ("Third Party Valuation Firm") selected by the FDIC will provide independent valuation advice to the FDIC on each Eligible Asset Pool. The Third Party Valuation Firm's analysis will assist the FDIC in discussions with Participant Banks to determine the valuation of Eligible Asset Pools, inform initial views on appropriate leverage and provide information about the structure and value of bids.
- Eligible Asset Pools will be purchased from Participant Banks at prices determined through the auction process for the private capital component of the PPIF. The price received from the private capital component will be used to calculate the cash equivalent price of the Eligible Asset Pool, using the framework provided by the PPIF's capital structure and leverage.
- Potential Private Investors will be pre-qualified by the FDIC to participate in an Eligible Asset Pool auction. For a bid to be considered in the auction process, the bid must be accompanied by a refundable cash deposit ("Deposit") for 5 percent of the bid value. In the event that a bid is unsuccessful, or is ultimately rejected by the Participant Bank, the Deposit will be refunded to the unsuccessful bidders (subject to their adherence to material terms of the auction procedures).
- Auctions for the private capital component of the PPIF equity will be conducted by the FDIC. FDIC responsibilities will include the review of received bids and selection of the winning bid(s). The Participant Bank will make information available to the FDIC and potential Private Investors to facilitate the bidding process according to pre-established criteria.
- Once a bid(s) is selected, the Participant Bank will have the option of accepting or rejecting the bid within a pre-established timeframe.

Governance & Management

- PPIFs will be managed within parameters pre-established by the FDIC and UST, with reporting to the FDIC and oversight by FDIC. The FDIC will be responsible for providing information required by UST.
- Private Investors may not participate in any PPIF that purchases assets from sellers that are affiliates of such investors or that represent 10% or more of the aggregate private capital in the PPIF.
- Each PPIF must agree to waste, fraud and abuse protections to be defined by UST and the FDIC in order to protect taxpayers.
- Each PPIF will be required to make certain representations, warranties and covenants regarding the conduct of their business and compliance with applicable law.
- Each PPIF will provide information to the FDIC in performance of its oversight role for the benefit of the UST and FDIC. The FDIC will provide duplicate reports to the UST.

- The PPIF also must agree to provide access, as needed, to information required by the Special Inspector General of the TARP, and the Government Accountability Office.

Equity Capital

- Initially target 50 percent of equity capital of each PPIF to be funded by the UST. Alternatives for USG capital may be adopted so long as such alternatives do not diminish the collateral protection securing the FDIC guarantee and are capital neutral compared with the currently contemplated investment. The UST will not have control rights.
- Investors can choose to take less UST equity subject to a minimum to be determined.

Treasury Warrants

- Consistent with requirements under EESA, UST shall receive warrants in the PPIF.

Non-Recourse Debt

- Third Party Valuation Firm will estimate Eligible Asset Pool values and advise the FDIC on loan-to-value and debt service coverage for each PPIF. In assessing the supportable leverage of the asset pool, the Third Party Valuation Firm will analyze characteristics including expected cash flows based on type of interest rates, risk of underlying assets, expected lifetime losses, geographic exposures, maturity profiles and other relevant factors.
- Leverage will be determined on a pool-by-pool basis at the FDIC's sole discretion, with input from the Third Party Valuation Firm. It is anticipated that the debt to equity ratio will not exceed 6 to 1 for each PPIF.
- FDIC will provide credit support for PPIF financing through guarantees of debt issued by the PPIF. The FDIC guarantee is collateralized by assets purchased by each PPIF.
- Financing terms will be as set forth in the FDIC Guaranteed Secured Debt for PPIF term sheet.
- The PPIF will be required to maintain a Debt Service Coverage Account ("DSCA") (as stipulated in the FDIC Guaranteed Secured Debt for PPIF Term Sheet) to ensure that working capital for each PPIF is sufficient to meet anticipated debt servicing obligations, interest expenses and operating expenses. A portion of cash proceeds from the sale of Eligible Asset Pools will be retained until cash flow from Eligible Asset Pools has fully funded the DSCA, at which point the escrowed cash will be released to the Participant Bank.

Servicing

- Servicing will be provided by the Participant Bank, unless otherwise defined.
- The PPIF retains control of servicing throughout operations, subject to relevant agreements.

FDIC Fees and Expenses	▪ The FDIC will be reimbursed for all expenses related to conducting Eligible Asset Pool auctions. ▪ Ongoing administration fees ("Administrative Fees") will be paid to the FDIC by PPIFs for oversight functions performed by the FDIC. ▪ The FDIC will guarantee debt issued by the PPIFs to Participant Banks or the market as consideration for Eligible Asset Pool purchases. In exchange for the debt guarantee, the FDIC will charge the PPIFs an annual guarantee fee ("Guarantee Fee"). The Guarantee Fee will be charged based on outstanding debt balances and will be payable to the FDIC annually upon the anniversary date of the transaction closing date. The FDIC guarantee will be secured by the assets in the pool which will be issued as senior debt of the PPIF and will be senior to the equity provided by the private investors and the UST. ▪ A portion of the Guarantee Fee will be allocated to the Deposit Insurance Fund.
Reservation of Rights	▪ The release of this Proposed Summary of Terms and the FDIC's and UST's receipt of any information from a Participant Bank or Private Investor shall not, in any manner, obligate UST or the FDIC to perform any act or otherwise incur any liabilities. ▪ UST and the FDIC assume no obligation to reimburse or otherwise compensate Participant Banks or Private Investors for expenses or losses incurred in connection with this Proposed Summary of Terms or the submission of an application. ▪ UST and the FDIC reserves the right to: (1) modify the requirements in this Proposed Summary of Proposed Terms or withdraw this Proposed Summary of Terms at any time; (2) decide not to select any Participant Bank or Private Investors; (3) reject an application without inviting the Participant Bank or Private Investors to submit a new application; (4) negotiate with and select any Participant Bank Private Investors considered qualified; (5) request, orally or in writing, clarification of or additional information on an application; (6) waive minor informalities or irregularities, or a requirement of this Proposed Summary of Terms; (7) accept any application in part or in total; and (8) reject an application that does not conform to the specified format of the application or other requirements of this Proposed Summary of Terms.