



PRESS RELEASE

Federal Deposit Insurance Corporation • Each Depositor insured to at least \$250,000

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FDIC Statement on the Status of the Legacy Loans Program

The FDIC today formally announced that development of the Legacy Loans Program (LLP) will continue, but that a previously planned pilot sale of assets by open banks will be postponed. In making the announcement, Chairman Bair stated, "Banks have been able to raise capital without having to sell bad assets through the LLP, which reflects renewed investor confidence in our banking system. As a consequence, banks and their supervisors will take additional time to assess the magnitude and timing of troubled assets sales as part of our larger efforts to strengthen the banking sector."

As a next step, the FDIC will test the funding mechanism contemplated by the LLP in a sale of receivership assets this summer. This funding mechanism draws upon concepts successfully employed by the Resolution Trust Corporation in the 1990s, which routinely assisted in the financing of asset sales through responsible use of leverage. The FDIC expects to solicit bids for this sale of receivership assets in July.

Chairman Bair added, "The FDIC will continue its work on the LLP and will be prepared to offer it in the future as an important tool to cleanse bank balance sheets and bolster their ability to support the credit needs of the economy."



Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

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