PRESS RELEASE
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FDIC Seeks Comment on the Recently Announced Legacy Loans Program

The Federal Deposit Insurance Corporation (FDIC) today announced the opening of the public comment period for the Legacy Loans Program (LLP). The FDIC and the Department of the Treasury recently announced the LLP, which will remove troubled loans and other assets from FDIC-insured institutions and attract private capital to purchase the loans. The FDIC is requesting comment from interested parties on the critical aspects of the proposed LLP.

The program is intended to boost private demand for distressed assets that are currently held by banks and facilitate market-priced sales of troubled assets. It is necessary because uncertainty about the value of these assets makes it difficult for banks to raise capital and secure stable funding to support lending to households and businesses.

The LLP, announced by the Administration on Monday, will combine an FDIC guarantee of debt financing with equity capital from the private sector and the Treasury. The partnerships will purchase assets from banks and place them into what will be known as Public-Private Investment Funds (PPIF).

Institutions of all sizes will be eligible to participate in the LLP to sell assets. It is expected that a range of investors will participate. The program will particularly encourage the participation of individuals, mutual funds, pension plans, insurance companies and other long-term investors. Investors will be pre-qualified by the FDIC to participate in auctions.

For providing a guarantee, the FDIC will be paid a fee, a portion of which will be allocated to the Deposit Insurance Fund. The FDIC will be protected against losses by the equity in the pool, the newly established value of the pool's assets and the fees collected.

The FDIC will play an ongoing reporting, oversight and accounting role. In addition, the FDIC will structure the debt that the selling bank will take back when the legacy loans are sold. Participant banks may then resell the debt into the market.

The FDIC is seeking public comment from interested parties on the critical aspects of the LLP. Comments are requested no later than April 10.

For more details on the program and to review and submit comments to the questions, please go to www.fdic.gov/llp/index.html.