PRESS RELEASE

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FDIC Closes on Pilot Securitization of Performing Single-Family Mortgages from 16 Failed Banks

The Federal Deposit Insurance Corporation (FDIC) today closed on a sale of securities as part of a securitization backed by approximately $471.3 million of performing single-family mortgages from 16 failed banks. The investors represented a wide variety of organizations and paid par for the senior certificates. This pilot program marks the first time the FDIC has sold assets in a securitization in the current financial crisis.

The pilot program consisted of three tranches of securities. Approximately $400 million senior certificates, which were sold today, represented 85 percent of the capital structure and are guaranteed by the FDIC. The fixed-rate, senior note sold at a coupon of 2.184 percent and is expected to have an average life of 3.66 years.

The subordinated certificates are comprised of a mezzanine and an over collateralization (OC) class representing 15 percent of the capital structure. The subordinated certificates will be retained by the failed bank receiverships, which may sell all or a portion at some point in the future.

The pilot program is consistent with the FDIC's proposed Securitization Safe Harbor Rule, except for certain limited differences necessitated by the origin of the collateral and the absence of information available from the failed banks.

As outlined in the proposed rule, the deal incorporates transaction-governance procedures that align compensation of the servicer with resolving problem loans and minimizing losses to the trust. Delinquent mortgages will be considered for loan modification consistent with the HAMP or the FDIC loan modification program. The transaction also provides for independent third-party oversight of overall performance.

The FDIC uses several strategies to sell assets from failed banks. Securitization is one of the ways in which the FDIC intends to maximize the value of these assets for the benefit of creditors of the failed banks.

The senior certificates were not registered with the Securities and Exchange Commission and were offered and sold in reliance on the exemption from registration available under Section 3(a)(2) of the Securities Act of 1933 to securities guaranteed by an instrumentality of the United States.

The lead underwriter was RBS Securities. Three co-underwriters were also used. They were Bank of America/Merrill Lynch, Deutsche Bank and Williams Capital, a minority-owned firm.