

# PRIVACY IMPACT ASSESSMENT

## DebtX (DebtX)

November 2010

FDIC External Service

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## System Overview

When a financial institution fails, the Federal Deposit Insurance Corporation (FDIC), in its capacity as “Receiver,” assumes the task of collecting and selling assets (i.e. loans) of the failed financial institution and settling its debts, including claims of deposits in excess of the insured limit. The FDIC either sells the loans at the time of the financial institution’s closing or retains the loans temporarily.

Within FDIC, the Division of Resolutions and Receiverships (DRR) Asset Marketing Branch is responsible for conducting the sale of loans<sup>1</sup> that remain with the Receiver. DRR markets these loans through private “Loan Sale Advisors,” who are under contract to perform this service on behalf of the Receiver. FDIC is required to maximize the price of resold assets following a bank failure. The use of Loan Sale Advisors helps FDIC obtain the highest return by tapping into a large pool of potential purchasers or “bidders.”

DebtX is a Loan Sale Advisor that the FDIC/DRR contracts with to value and sell assets acquired when a financial institution fails. DebtX sales professionals perform pricing, underwriting, document preparation, imaging, marketing and closing services to execute orderly, timely and efficient asset sales. DebtX provides a full-service solution for the sale of assets that includes a secure online auction web site where assets may be viewed only by authorized bidders

As part of the loan sale process, DebtX collects Personally Identifiable Information (PII) from potential bidders who register to participate in the loan sale. Bidders are typically banks or private firms, but in some cases, are individual members of the public, who are required to meet strict eligibility requirements set forth by FDIC and DebtX.

Due to the nature of loan sales in the secondary market, DebtX must provide potential bidders with all the documents necessary for bidders to conduct appropriate due diligence prior to the loan sale. These loan sale documents often contain sensitive information, including PII on individual loan customers.

Prior to the loan sale, potential authorized bidders are able to view loan information on the DebtX site in order to perform due diligence. Due diligence enables bidders to determine what they feel would be a fair and competitive bid price for the loans, determine loan values, and become familiar with the attributes of the properties being sold. . Authorized bidders are required to sign a FDIC Confidentiality Agreement and Non-Disclosure Agreement prior to accessing and viewing assets for sale. These agreements are obtained from and collected by DebtX on behalf of FDIC.

To initiate the loan sale process, the asset data is collected in soft copy from the bank’s systems by FDIC/DRR employees and/or contractors, during or subsequent to a closing. The data is securely scanned and loaded to the DebtX secure website for due diligence and auction purposes. Data that is contained in the loan file documents may include Name, Home address, Social Security Number (SSN), Date of Birth (DOB), Loan Account Number and Balance.

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<sup>1</sup> Loan portfolios from failed banks usually contain a variety of performing and non-performing loan products including mortgage, commercial, and consumer loans.

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DebtX and/or their authorized subcontractor also scan the entire contents of loan files to support full due diligence of all assets in sales packages. These files may be scanned at the closed bank or are delivered by a secured method to the DebtX office location for scanning. After data is loaded, DebtX performs a valuation of the asset to assist the Receiver in setting a bid price. This generally requires that a current credit report on the primary borrower for a loan asset be acquired by DebtX. FDIC is required to maximize the price of resold assets following a bank failure.

## Personally Identifiable Information (PII) in DebtX

**Bidders:** PII collected from these individuals via the DebtX website registration process contains business contact and credit card information, including: Name, Work Address, Work Email Address, Work Fax Number, Company and Credit Card Information.

**Failed Bank Loan Customers:** PII contained in the entire loan file obtained by the Receiver and shared with DebtX includes: Name, Home Address, Social Security Number (SSN), Date of Birth (DOB), Place of Birth, Home Email Address, Home Telephone Number, Employee ID Number, and Personal Bank Account or Financial Information, such as Loan Account Number, Loan Balance and other Credit Information. Scanned data may include driver's license, tax returns, previous and current credit reports, employment history or information, employee ID number, and any other data contained in the loan file at the time of the closing. The tax return may contain sensitive PII on the borrower's family members (e.g. SSN).

## Purpose & Use of Information in DebtX

The data in DebtX is both relevant and necessary for the purpose in which the system was designed, namely to support the FDIC's resolution activities. The DebtX web platform is designed to integrate investor contact management, deal status reporting, fee tracking, and to ensure secure document distribution in a single web-based system. The use of this data is required to ensure the efficient marketing and selling of assets acquired from closed institutions at the highest possible rate of return.

## Sources of Information in DebtX

The source of data for the DebtX website is the asset data acquired at or following the closing of a bank by the Receiver. These data are generally copied from the closed financial institution's computer systems. Copies are made of all data in loan files and the scanned copies are made available online as part of sales packages. Asset data is supplemented with a current credit report and an asset valuation in order to accurately place a value on each asset. The credit report data is provided by a credit reporting agency to DebtX to allow the correct valuation of each asset.

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## Notice & Consent

Individuals may not opt out of the loan sale process, as the FDIC is required to sell all assets acquired from the failed financial institution for the maximum amount possible and as soon as possible after the closing of the financial institution. In addition, FDIC is required to receive the highest value possible. To achieve these goals, the FDIC has employed professional Loan Sale Advisors, such as DebtX, to value and market these assets. These activities require the availability of all personal information on each asset, so that bidders may have full access to file content for due diligence.

## Access to Data in DebtX

As detailed below, there are four main categories of users who may have access to DebtX data:

1. FDIC authorized users primarily consisting of DRR Asset Management (AM) staff are responsible for the expeditious sale of loans after the failure of a financial institution. AM staff manage and monitor the data being sent to DebtX and the sales after data is loaded. In addition, the FDIC Oversight Manager and Technical Monitor in DRR monitor the activities of the staff at DebtX.
2. Authorized DebtX users primarily consisting of Loan Sale Advisors have access to DebtX for the purpose of conducting and monitoring sales of loans/loan pools; underwriters have access for the purpose of updating data and preparing loans/loan pools for sale on the DebtX website; administrative staff have access for the purpose of uploading data to the appropriate loan sale area on the secure DebtX website; and information security/technical staff have access for the purpose of administering the site and record retention/disposal activities. All DebtX employees with access to sensitive data must sign a Confidentiality Agreement and undergo a background check. In addition, DebtX authorized subcontractors may have access to data for the purpose of providing research and valuation support to the Loan Sale Advisors; these subcontractors are required to complete and sign a Confidentiality Agreement and undergo a background check. Authorized DebtX users are granted access on a need-to-know basis as part of their duties performed for their employer. DebtX ensures that individuals are trained on privacy risks annually, including proper handling of information associated with their activities, and of applicable laws, regulations, policies, and procedures.
3. Authorized bidders/purchasers have access to DebtX for the purpose of reviewing data in the loan/loan pools during the due diligence process and to purchase assets. Prior to viewing assets for purchase, all bidders/purchasers are required to undergo a vetting process governed by stringent FDIC criteria which includes, at a minimum; the completion of a FDIC Confidentiality and Non-Disclosure Agreement, and a Purchaser Qualification Certification which represents that they are an "accredited investor", as defined by the Securities Act of 1933, as amended. Additionally, the vetting process also requires prospective bidders/purchasers to pass a telephone screen and be able to

demonstrate to FDIC's satisfaction that the individual/entity or its general partner/ controlling principal is (a) an active participant in the secondary market sales (purchases from the FDIC are considered secondary market sales; (b) an insured depository institution or its affiliate; (c) a federal, state, or local governmental agency or instrumentality; or (d) a government-sponsored entity such as Government National Mortgage Association, Fannie Mae or Freddie Mac. Authorized bidders/purchasers request access online by registering and agreeing to the DebtX Terms of Access. Purchasers' access authorization is subject to the requirements for access provided by the FDIC Oversight Manager and enforced by DebtX.

4. Other federal government agency personnel may have access to DebtX, depending on the guarantor or participant to a loan. This may include the Small Business administration (SBA) and could also include the U.S. Department of Agriculture (USDA) and the Farm Service Agency (FSA). Access is granted to only those loans and sales applicable to the guarantor or participant for the purpose of reviewing the status of the sale. A Non-Disclosure Agreement is executed prior to granting access to the data. Other federal government agencies that are guarantors or participants to a loan are granted access on a need-to-know basis, subject to the requirements for access provided by the FDIC Oversight Manager and enforced by DebtX. Access is granted to only those loans and sales applicable to the guarantor or participant for the purpose of reviewing the status of the sale.

User access will be granted on a need-to-know basis and may be restricted to a single sale. Conversely, depending on the user's duties, full access may be granted to provide unrestricted access to all sale and asset data. DebtX maintains audit trails of authorized users' access to sales and assets. Audit trails include such information as the asset reviewed by a user, date and time. These data are reviewed by the Oversight Manager on an as-needed basis.

## Data Sharing

### Other Systems that Share or Have Access to Data in the System:

No FDIC systems share data or have access to the data on DebtX.

System Name	System Description	Type of Information Processed
N/A	N/A	N/A

## Data Accuracy in DebtX

Data is collected from the asset tracking systems at or maintained on behalf of a failed financial institution. All data available on each asset is gathered during or subsequent to the closing of a bank. As necessary, in order to maximize the price of resold assets following a bank failure, DebtX will check the data for completeness by reviewing the loan file, verifying whether or not certain documents or data is

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missing, and as feasible, updating this data prior to the sale of the loan/loan pool on the DebtX website.

## Data Security for DebtX

The DebtX Manager is responsible for granting access and ensuring proper use of data in the system. The FDIC Oversight Manager, Technical Monitors and Program Manager are also responsible to assure proper use of the data.

Additionally, it is every user's responsibility to abide by FDIC data protection rules which are outlined in the Annual Security Awareness which all employees take and certify that they will abide by the corporation's Rules of Behavior for data protection.

Authorized user activity in DebtX is not monitored. Cookies are temporarily stored to support the user's session. These cookies maintain no personal information and are deleted at the end of a session. Authorized user's activities are included in audit trails for future reference. Controls used to ensure that unauthorized access and handling does not occur include: secured firewalls, Intrusion Detection Systems (IDS), and an automatic session timeout feature.

## System of Records Notice (SORN)

DebtX operates under the FDIC Privacy Act System of Records Notice (SORN) 30-64-0013, *Insured Bank Liquidation Records*.

## Contact Us

To learn more about the FDIC's Privacy Program, please visit:  
<http://www.fdic.gov/about/privacy/>.

If you have a privacy-related question or request, email [Privacy@fdic.gov](mailto:Privacy@fdic.gov) or one of the [FDIC Privacy Program Contacts](#). You may also mail your privacy question or request to the FDIC Privacy Program at the following address: 3501 Fairfax Drive, Arlington, VA 22226.

