

# PRIVACY IMPACT ASSESSMENT

## Garnet Capital Advisors (GARNET)

January 2011

FDIC External Service

### Table of Contents

[System Overview](#)  
[Personally Identifiable Information \(PII\) in GARNET](#)  
[Purpose & Use of Information in GARNET](#)  
[Sources of Information in GARNET](#)  
[Notice & Consent](#)  
[Access to Data in GARNET](#)  
[Data Sharing](#)  
[Data Accuracy in GARNET](#)  
[Data Security for GARNET](#)  
[System of Records Notice \(SORN\)](#)  
[Contact Us](#)

## System Overview

When an FDIC-insured financial institution fails, the Federal Deposit Insurance Corporation (FDIC), in its receivership capacity, assumes the task of collecting and selling the 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 sales 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<sup>2</sup> 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."

To fulfill these functions, the FDIC has contracted with Garnet Capitol Advisors (GARNET) to value and sell assets acquired when a financial institution fails. The GARNET solution includes a secure, online Loan Trading Platform where assets may be viewed by authorized bidders. GARNET sales professionals perform pricing, underwriting, document preparation, imaging, marketing and closing services to execute orderly, timely and efficient asset sales.

As part of the loan sale process, GARNET collects personally identifiable information (PII) from potential bidders who register to participate in the loan sale. Bidders typically are 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 GARNET.

Due to the nature of loan sales in the secondary market, GARNET must provide potential bidders with all the documents necessary for bidders to conduct appropriate due diligence. These loan sale documents often contain sensitive information, including PII on individual loan customers. GARNET does not provide access to any loan sale documents containing PII data through its own web interface. Instead, all loan sales with PII data that is made available to bidders for review is hosted on a Virtual Data Room (VDR)<sup>3</sup> platform.

Following a sale, the successful bidder is provided all data through the VDR. Data is removed from the VDR host web site within 30 days after the sale. GARNET archives a copy of the sale information and details with limited access. Backup tapes are encrypted and sent to a secure facility. All data is deleted, destroyed or expunged upon request from the FDIC.

## Personally Identifiable Information (PII) in GARNET

GARNET maintains personal identifiable information (PII) relating to borrowers and customers of failed financial institutions, as well as prospective bidders. GARNET requires prospective bidders to complete the initial registration process on its website before they can access loan sale information containing PII.

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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.

<sup>2</sup> FDIC's mandate is to maximize the price of sold assets following a financial institution failure. Experience has proven that valuations must be performed at the asset-level to validate prices received for assets. The quality and quantity of information available for investor review is critical to receiving the maximum value for the assets.

<sup>3</sup> For more information, refer to the FDIC Virtual Data Room PIA at <https://www.fdic.gov/about/privacy/assessments.html>.

As part of the registration process, GARNET requires prospective bidders to provide the following information: name, title, company name and address, work email address, work phone number, work fax number, company background (years of incorporation, principal names, names of creditors for past portfolio purchases, number of employees, and company websites), and areas of interest for future loan sale announcements. In order to access detailed loan sale documents and participate in the bidding process, bidders may need to provide additional information via the GARNET website, including: Tax Identification Number (TIN) or Social Security Number (SSN), FDIC Bidder Registration Number, detailed company information (e.g., date of formation, names/addresses of company owners), financial information (e.g., Company's Revenue, Assets, Tangible Net Worth, etc.), proof of past loan purchase experience, professional references (banker, lawyer and accountant), electronic copies of Articles of Incorporation, Organization, Partnership or similar documentation, and an online FDIC Confidentiality Agreement.

PII elements collected relating to the individuals and customers of the failed financial institution may include the following: name, home address, SSN, TIN, home telephone number, home email address, Date of birth (DOB), place of birth, Employee ID Number (EIN), personal bank account or financial information, (e.g., loan account number, account balance, and other credit information. Scanned data may include driver's license, tax returns, financial statements, previous and current credit reports, employment history or information, EIN, 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 as well (e.g. Social Security Number).

## **Purpose & Use of Information in GARNET**

GARNET obtains data directly from the failed financial institution. The data maintained in GARNET is both relevant and necessary to value, market and sell assets acquired from closed financial institutions at the highest possible rate of return.

## **Sources of Information in GARNET**

Data for the GARNET website is directly obtained from the asset data acquired at or following the closing of a financial institution. The DRR staff copies the information from the computer systems of the closed financial system and securely transmits the information to GARNET via Secure File Transfer Protocol (SFTP) or via encrypted digital media. Additionally, GARNET or its authorized subcontractors scans the contents of the loan files to support investor due diligence of all assets offered for sale. These files are delivered by a secure method of Garnet's authorized subcontractor for scanning.

Once Garnet securely receives and uploads the loan/asset data, Garnet underwriters begin preparing the loans/loan pools for sale on the VDR's secure web platform. In preparing the loans/loan pools for sale, asset data is supplemented with a current credit report and an asset valuation in order to accurately place a value on each asset.

DRR's Asset Management Group may obtain a current credit report on the borrower or guarantor from a credit reporting agency; credit reports are used to supplement the asset data and allow for the correct valuation of each asset.

## Notice & Consent

Individuals (i.e. failed bank loan customers) do not have the opportunity to “opt out” of providing their information to GARNET. Data is collected directly from the failed financial institution and not collected from the individuals. FDIC is required to sell all assets acquired from the failed financial institution for the maximum amount possible and as soon as possible or after the closing of the financial institution. Additionally, FDIC is required to receive the highest value possible, which is why the FDIC has employed GARNET to value and market these assets. These activities require the availability of all personal information on each asset, in order that bidders may have full access to file content for due diligence.

## Access to Data in GARNET

Access to data in GARNET is limited to four main categories of users:

- **FDIC users:** Authorized DRR Asset Management (AM) staff, who are responsible for the expeditious sale of loans after the failure of a financial institution, have access to the information in GARNET. AM staff manage and monitor the data being sent to GARNET and the sales after data is loaded. Additionally, the FDIC Oversight Manager and Technical Monitor in DRR monitor the activities of the staff at GARNET. Users must request access from the contract Oversight Manager in DRR and access to the GARNET website requires FDIC management approval. Access to the data is limited to users with the operational need to access the information.
- **GARNET users:** Authorized GARNET Loan Sales Advisors have access to the data in GARNET for the purpose of updating data and conducting and monitoring sales of loans/loan pools; underwriters for the purpose of updating data and preparing the loans/loan pools for viewing by authorized bidders on the GARNET website; administrative staff for the purpose of uploading data to the appropriate portion of the secure website; and information security/technical staff for the purpose of administering the site and record retention/disposal activities. Additionally, authorized subcontractors of GARNET may have access to data for the purpose of providing image scanning, research and valuation support to the GARNET Loan Sale Advisors. Authorized users access the data on a “need to know” basis as part of the duties performed for their employer. All GARNET employees and authorized subcontractors with access must sign a Confidentiality Agreement and undergo a background investigation. Additionally, GARNET ensures that individuals are trained on data security and privacy risks, including proper handling of information associated with their activities, and of applicable laws, regulations, policies, and procedures.
- **Authorized bidders/purchasers:** Authorized bidders/purchasers have access to the data on the GARNET website for the purpose of reviewing the data in the loans/loan pools as part of the due diligence process and purchasing assets. Authorized bidders/purchasers request access online by registering and agreeing to the Terms of Access. Purchaser’s access authorization is subject to requirements for access provided by the FDIC Oversight Manager and enforced by GARNET.
- **Other federal government agency personnel:** Federal government agency personnel may have access to data in GARNET on a “need to know” basis depending on the guarantor or participant to a loan. This may include the Small Business

Administration (SBA), 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. Additionally, authorized users must sign a Non-Disclosure Agreement to be granted to access to the data in GARNET.

## Data Sharing

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

No other systems currently share or have access to data in the GARNET system.

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

## Data Accuracy in GARNET

Data is collected directly from the failed financial institutions. The FDIC inspects data for viruses and malicious code before forwarding it to GARNET. GARNET performs data validation, reviewing the loan file for completeness, verifying whether or not certain documents or data is missing, and, as feasible, updating this data prior to the sale of the loan/loan pool.

## Data Security for GARNET

Within DRR, the FDIC Oversight Manager, Technical Monitors, and Program Manager have overall responsibility for protecting the privacy rights of the public. Within GARNET, the Information Assurance Manager and senior management have overall responsibility for ensuring the proper use of data by the GARNET personnel who have access to the data. GARNET employees are responsible for protecting PII in accordance with GARNET corporate policies, Non-Disclosure Agreements, and Confidentiality Agreements.

During the closing process of a failed financial institution, the DRR Asset Management (AM) staff copies the data from the computer systems of the closed financial institution and securely transmits the data encrypted via secure protocols.

GARNET and its subcontractors maintain audit trails of authorized users' access to sales and assets. Audit trails include such information as the asset reviewed by a user, the date, and time. Additionally, the FDIC Oversight Manager and Technical Monitor in DRR monitor the activities of the staff at GARNET.

Secured firewalls, Intrusion Detection Systems (IDS) and automatic session timeout are in use by GARNET to assure unauthorized monitoring does not occur.

## System of Records Notice (SORN)

GARNET operates under the applicable FDIC SORN: 30-64-0013, *Insured Financial Institution 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.

