

# PRIVACY IMPACT ASSESSMENT

## Underwriter Services - Residential Lead Manager Securitization II

Jefferies LLC  
(Jefferies)

March 2016

FDIC External Services

## Table of Contents

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

## System Overview

The FDIC's Division of Resolutions and Receiverships (DRR) is responsible for resolving failing and failed FDIC-insured depository financial institutions (FIs), which includes, among other important responsibilities, effectively and efficiently managing and disposing of FI assets in furtherance of the FDIC's primary objective, as conservator or receiver, of maximizing the value of the FI's assets in order to limit losses to the deposit insurance fund and repay uninsured depositors and general creditors. As such, the FDIC has an important role in liquidating these assets in the most cost-effective manner possible.

The FDIC has developed a residential mortgage securitization program to facilitate the sale of performing and nonperforming residential real estate assets as well as owned real estate (ORE) or other owned assets (OOA)<sup>1</sup>. The FDIC has contracted with Jefferies, LLC (Jefferies) to execute services as a lead managing underwriter (lead manager) for securities. The FDIC requires the services of a lead manager to underwrite securities backed by a pool of real estate assets [residential 1-4 family performing, nonperforming, related real estate assets and real estate owned (REO)] owned by FIs for which the FDIC is appointed as receiver and identified by the FDIC for inclusion in a securitization. The securitizations have been in the form of private offerings, but may be private or public offerings going forward.

The lead manager underwrites securities backed by a pool of assets to be identified by the FDIC from one or more FIs. The lead manager is a licensed broker dealer meeting applicable Financial Industry Regulatory Authority and Securities and Exchange Commission requirements to underwrite securities in a "best efforts" underwriting, in accordance with a syndicate strategy to be determined by the FDIC. The FDIC determines the "splits" or allocations among the syndicate, and it is expected that the transaction will be 100% potential, fixed economics, unless otherwise designated in the respective task order. The lead manager is designated as structuring lead and sole book-runner, unless otherwise designated in the specific task order. The FDIC may designate one or more co-managing underwriters ("co-managers") for each securitization in one or more subsequent task orders.

The lead manager assists the FDIC and any of its third-party service providers/advisors with respect to the analysis, modeling and evaluation of the underlying Assets, related due diligence obtained on the Assets, interactions with the designated servicer, proposals of alternative structures and disposition strategies, and recommendations on optimal securitization structure. The lead manager assists in reviewing and monitoring the preparation of transaction documentation with FDIC counsel, and works with other transaction parties as determined by the FDIC. The lead manager coordinates the marketing including the preparation of related marketing materials, pricing and settlement process, and supports the offered and sold securities in the secondary market.

## Personally Identifiable Information (PII) - Jefferies

Jefferies collects personally identifiable information (PII) that may include: full name and home address.

---

<sup>1</sup> ORE and OOA are collectively referred to herein as the "Assets".

## Purpose & Use of Information - Jefferies

Jefferies provides analytic financial advisory services, including structuring of a securitization transaction for underwriting of FDIC Single Family Securitizations. This includes the analysis of expected cash flow of real estate loans and other assets and modeling assumptions used, based on loan and pool level characteristics. Jefferies acts as the sole book-runner on the offering of securities to investors.

## Sources of Information - Jefferies

**Failed FIs:** In a case where a bank closing is still in progress (or if the loan servicer is unable to compile a data file), the FDIC will provide a Business Information Systems (BIS) data tape file to Jefferies via secure site since there is no loan servicer for acquired securities prior to the bank closing. The files are imaged by FDIC/DRR BIS, and uploaded to the secure site by the FDIC's Capital Markets Group. The data file will contain limited PII including borrower full name and home address. Other non-PII elements included in the data file are loan numbers, loan balances, maturity dates, selling bank/receivership, servicing transfer date, servicer name, original appraisal value, updated property value, and REO statuses.

**Loan Servicer:** Jefferies receives data tape files in the form of Excel spreadsheets from the current loan servicer of underlying mortgage loans securities via secure site. The data file contains limited PII including borrower full name and home address. Other non-PII elements included in the data file are the servicer's name, loan numbers, loan balances, loan age, FICO scores, maturity dates, gross interest rates, payment schedules, updated appraisal values, updated property values, delinquency statuses, and escrow balances.

**FDIC Approved Due Diligence Firms:** Jefferies works with FDIC-approved due diligence firms to coordinate and receive loan level data files and due diligence information to analyze and stratify the assets as appropriate via secure site. The data file contains limited PII including borrower full name and home address. Other non-PII that may be included in the data file is financial information regarding the loan (principal, interest rate, or credit reports).

## Notice & Consent

Individuals do not have the opportunity to "opt out" of providing their data and/or consenting to particular uses of their information. FDIC, acting in its receivership capacity, is required to convert, service, sell and liquidate all assets acquired from failed FIs, as soon as possible after the closing of the intuition. To achieve this goal, the FDIC has contracts with third-party firms, such as Jefferies, to help underwrite assets acquired from failed FIs. These firms require access to all personal information on each asset, in order to appropriately underwrite an asset in receivership.

## Access to Data - Jefferies

**Jefferies Staff, Subcontractors, and/or Systems:** Jefferies requires access to PII in order to analyze and stratify the relevant assets. Jefferies receives data tapes

from the current loan servicer of the underlying mortgage loans securities or BIS via FDIC's secure web-based system. The data file is downloaded onto Jefferies desktops where the file is then manipulated into a proper format to upload into Jefferies' data warehouse (file server) that allows Jefferies to run edits and errors tests on the loan information, model cash flows, create marketing materials and other disclosures. The data resulting from that effort is used to create files in CDI format. Jefferies desktops are full disk encrypted. Jefferies has designated their Senior Vice President as the individual granted access to FDIC's secure web-based system to pull the data files. Once the file has been uploaded into Jefferies' underwriting software, Jefferies' underwriting team will have access to the underwriting software to compile the marketing packages.

**FDIC Personnel and/or Systems/Applications:** Jefferies conducts their underwriting services for the offered securities and compiles marketing packages to market to their pool of investors as well as forwarding the marketing package to the assigned co-manager of the contract as part of the underwriting syndicate. The marketing materials include offering memorandums, marketing term sheets, a loadable data file in Jefferies' underwriting software, cash flow modeling assumptions, and loan level data files which do not contain any PII. Prior to emailing the marketing materials to the investors and co-manager, Jefferies will email the marketing material back to the FDIC Capital Markets Group for approval via email. The Capital Markets Group will email Jefferies with an approval confirmation of the marketing materials.

**Other Non-FDIC Entities/Parties and/or Non-FDIC Systems/Applications:**

- **Pool of Investors:** When the marketing packages are complete, Jefferies personnel transfer the marketing materials via email to the selected group of institutional investors as part of Jefferies' underwriting syndicate. Jefferies personnel compile the marketing package that includes offering memorandums, marketing term sheets, a loadable data file in Jefferies' underwriting software, cash flow modeling assumptions, and loan level data files. The marketing material provided to Jefferies' pool of investors does not contain any PII.
- **Assigned Co-Manager Underwriter:** Just as the investors, when the marketing packages are complete, Jefferies personnel transfer the marketing materials to the appointed co-manager as part of Jefferies' underwriting syndicate. The co-manager, determined solely by the FDIC, distributes the marketing materials received from Jefferies for marketing to their selected group of investors. Jefferies personnel compile the marketing package that includes offering memorandums, marketing term sheets, a loadable data file in Jefferies' underwriting software, cash flow modeling assumptions, and loan level data files. The marketing material provided by Jefferies does not contain any PII.

## Data Sharing

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

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

## Data Accuracy – Jefferies

Data is collected directly from failed FIs. As such, the FDIC and Jefferies rely on the financial institutions to provide accurate data.

Jefferies works with FDIC to verify the integrity of the data before, in conjunction with, and/or after inputting it into the system or using it to support the project.

As necessary, an authorized Jefferies administrator checks the data for completeness by reviewing the information, verifying whether or not certain documents or data is missing, and as feasible, updating this data when required.

## Data Security - Jefferies

Jefferies has gone through the security review required by the FDIC's Outsourced Information Service Provider Assessment Methodology to determine and/or verify their having appropriate physical, technical and administrative security measures to safeguard FDIC-provided PII and other sensitive data.

The FDIC conducts background investigations on key Jefferies personnel and other applicable personnel prior to their beginning work on the contract.

Jefferies is subject to periodic compliance reviews by FDIC. Per the contract, scheduled and unannounced inspections and assessments of Jefferies's facilities, personnel, hardware, software and its security and privacy practices by either the FDIC information technology staff, the FDIC Inspector General, or the U.S. General Accountability Office (GAO). These inspections may be conducted either by phone, electronically or in-person, on both a pre-award basis and throughout the term of the contract or task order, to ensure and verify compliance with FDIC IT security and privacy requirements.

Within FDIC, the Jefferies Program Manager/Data Owner, Technical Monitors, Oversight Manager, and Information Security Manager are collectively responsible for assuring proper use of the data. In addition, it is every FDIC user's responsibility to abide by FDIC data protection rules which are outlined in the FDIC's Information Security and Privacy Awareness training course which all employees take annually and certify that they will abide by the corporation's Rules of Behavior for data protection.

Additionally, Jefferies is responsible for assuring proper use of the data. Policies and procedures have been established to delineate this responsibility, and Jefferies has designated the Senior Vice President to have overall accountability for ensuring the proper handling of data by Jefferies personnel who have access to the data. All Jefferies personnel with access to the data are responsible for protecting privacy and abiding by the terms of their FDIC Confidentiality and Non-Disclosure Agreements, as well as Jefferies' corporate policies for data protection. Access to certain data may be limited, depending on the nature and type of data.

Jefferies must comply with the Incident Response and Incident Monitoring contractual requirement.

## System of Records Notice (SORN)

Jefferies operates under the FDIC Privacy Act 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.

