

PRIVACY IMPACT ASSESSMENT

Underwriting Services – Commercial Lead Manager Securitization II

Jefferies, LLC

July 2016

FDIC External Services

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System Overview

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

The FDIC has developed a securitization program to facilitate the sale of performing and non-performing commercial real estate loans as well as real estate owned assets derived from loans owned by failed FIs for which the FDIC is appointed as conservator or Receiver. The securitizations have been and will be in the form of private or public offerings. To facilitate the securitization program, FDIC/DRR has contracted the underwriting services of Jefferies, LLC (Jefferies) to support the underwriting efforts of securities backed by FDIC-identified pools of loans from one or more failed FIs. The selected underwriter is required to underwrite securities in a firm commitment or best efforts offering, in accordance with a syndicate strategy to be determined by the FDIC. The FDIC will designate one or more underwriters from an approved group to serve as lead managing underwriter (Lead Manager) and/or co-managing underwriter (Co-Manager) for the securitization. If there is more than one Lead Manager, one will be designated by the FDIC as the primary structuring Lead Manager. The FDIC will contract with each Lead Manager for each securitization on a best value basis.

The Lead Manager is expected to assist the FDIC Securitization Program and any of its third-party financial advisors with analysis of the loans and results of due diligence reviews conducted on the loans, recommending optimal securitization structures, proposing alternative structures and disposition strategies, working with the chosen servicers on the transfer of the loans, monitoring the preparation of securitization transaction documentation, assisting in the review of securitization transaction documentation, working with the credit rating agencies to obtain credit ratings for the securities (if necessary), coordinating the securities marketing and settlement process, and supporting the securities in the secondary market. The FDIC may elect to sell all of the securities at one time, or retain certain classes for later sale.

Personally Identifiable Information (PII) – Jefferies

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

Purpose & Use of Information – Jefferies

Jefferies provides analytic financial advisory services, including structuring of securitization transactions for underwriting of FDIC single family securitizations. This includes the analysis of expected cash flows 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 offerings of securities to investors.

Sources of Information – Jefferies

Failed FIs: In a case where a bank closing is still in progress, the FDIC will provide a Business Information Systems (BIS) data tape file to Jefferies via the FDIC's secure web-based system since there is no loan servicer for acquired securities prior to the bank closing, or if the loan servicer is unable to compile a data file. The files are created by FDIC/DRR BIS, and uploaded to the FDIC's secure web-based system by the FDIC's Capital Markets Group. The data file will contain limited PII including loan numbers, borrower name and address.

Loan Servicer: Jefferies receives data tape files in the form of Excel spreadsheets from the current loan servicer of underlying mortgage loans securities via the FDIC's secure web-based system. The data file contains limited PII including borrower name and address.

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 the FDIC's secure web-based system. The data file contains limited PII including borrower name and address.

Notice & Consent

Individuals do not have the opportunity to "opt out" of providing their data and/or consenting to particular uses of their information. Information is not collected directly from individuals.

Access to Data – Jefferies

Jefferies Staff, Subcontractors, and/or Systems: Jefferies receives data tapes (including PII such as borrower names, home addresses, and loan numbers) 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's data warehouse (file server) that allows them to run edits and errors tests on the loan information, model cash flows, and create marketing materials and other disclosures. Jefferies creates a new file that is uploaded to their underwriting services software. Jefferies has designated its Senior Vice President as the individual granted access to the FDIC's secure web-based system to pull the data files. Once the file has been uploaded into the underwriting services software, Jefferies's underwriting team will have access to the underwriting services software to compile the marketing packages.

FDIC Personnel and/or FDIC 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 forwards the marketing package to the assigned co-manager of the contract as part of the underwriting syndicate. The marketing materials include offering memoranda, marketing term sheets, loadable data files from the underwriting services software, cash flow modeling assumptions, and loan files which are scrubbed of all 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. The Capital Markets Group will email Jefferies with an approval confirmation of the marketing materials.

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 memoranda, marketing term sheets, loadable data files from the underwriting services 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: When the marketing packages are complete and approved by the FDIC Capital Markets Group, Jefferies personnel transfer the marketing materials to the appointed co-manager as part of Jefferies's 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 from the underwriting services software, cash flow modeling assumptions, and loan level data files. The marketing material provided 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 the failed FIs. As such, the FDIC and its vendors rely on the FIs 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 administrator from Jefferies 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 verify their having appropriate physical, technical, and administration 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 their security and privacy practices are conducted by one of the following: 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 vendor 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 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.

