FDIC
Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Division of Resolutions and Receiverships

October 9, 2012

Chief Executive Officer
Assuming Institutions with Shared-Loss Agreements

Nearly four years ago, the FDIC entered into its first Shared-Loss Agreement ("SLA") as an alternative resolution strategy for determining the least costly resolution of failed insured depository institutions. Since the financial crisis began, the shared-loss alternative has been the least costly resolution for 297 failed insured depository institutions with $214 billion in assets sold to 148 different Assuming Institutions ("AIs"). The FDIC's use of shared-loss transactions has minimized the immediate impact of these 297 failures on the Deposit Insurance Fund ("DIF") during a period of significant market distress. While the importance of this achievement cannot be overstated, its long term benefit to the DIF will only be fully realized through the continued efforts of the AIs to maximize collections on Shared-Loss Assets.

As you know, Article III of the Commercial Shared Loss Agreement ("Agreement") sets forth the standards for the management, administration, and collection of Shared-Loss Assets (the "Management Standards"). These Management Standards apply throughout the entire term of the Shared-Loss Agreement regardless of resolution strategy including any Portfolio Sale proposed by the AI during the last few Shared Loss Quarters pursuant to Section 4.1 of the SLA.

The AI's right to conduct Portfolio Sales under Section 4.1 is conditional, as it requires the FDIC's prior concurrence/consent on any proposed transaction. While the FDIC will consider all proposals for Portfolio Sales the FDIC will only provide its concurrence or consent if the AI has clearly demonstrated to the FDIC that the proposed Portfolio Sale maximizes collections on an asset-by-asset basis and otherwise satisfies the requirements of Article III and Section 4.1.

The FDIC expects that each AI will continue to use its best efforts to maximize collections and should not rely on Portfolio Sales as the primary resolution strategy for Shared-Loss Assets. In fact, one of the factors that will be considered by the FDIC in determining whether or not to consent to a proposed Portfolio Sale will be the AI's documented prior efforts to maximize collections through alternative resolution strategies. The FDIC is unlikely to consent to any Portfolio Sale involving non-performing assets with limited prior collection activity if the AI cannot document prior best efforts to maximize collections.

The FDIC intends to provide timely responses to all proposals. A failure by FDIC to respond to a proposal does not constitute concurrence or consent. We are in the process of establishing a committee comprised of experienced credit professionals from various areas of the FDIC's Division of Resolutions and Receiverships that will be tasked with reviewing fully documented loan sale proposals and rendering timely decisions on them.

This letter is not intended to modify, or otherwise supplant, any provisions or definitions set forth in your Commercial Shared Loss Agreement with the FDIC

Sincerely,

Pamela J. Farwig
Deputy Director
Division of Receiverships and Resolutions