FDIC

Federal Deposit Insurance Corporation

1776 F. Street NW, Washington, D.C. 20429-9990

Division of Resolutions and Receiverships

December 2, 2011

Assuming Institution

Re: Single Family Shared-Loss Agreement
Abandonment of Mortgage Lien

Recently, Assuming Institutions ("AI") have inquired whether, in connection with the abandonment of a first mortgage residential lien (the AI voluntarily chooses not to foreclose on a Shared-Loss Loan), the loss on the Shared-Loss Loan recognized by the AI for regulatory accounting purposes is eligible for treatment as a Loss under the Single Family Shared-Loss Agreement ("SFSLA") and submission for Shared-Loss coverage.

The SFSLA provides for shared-loss coverage on Losses as defined in the SFSLA. Losses under the SFLSA, which include Foreclosure, Restructuring, Short-Sale, or Home Equity Loan Losses, must be considered in the least loss analysis. All of these types of losses are specifically defined in the SFLSA and none of these defined terms include losses incurred by an AI which chooses not to pursue loss mitigation or foreclose on mortgaged property. In the situation described above, the completion of the foreclosure process and liquidation of the mortgaged property are required in order to be eligible to claim a Loss under the SFSLA.

The SFSLA allows Foreclosure Loss claims that include costs associated with the foreclosure/ORE sale process, even if foreclosure/ORE Sale results in costs greater than recovery. Such costs may consist of funds advanced for the preservation and disposition of the asset, including expenses for commercially-reasonable products and services provided by and paid to third party entities.

If you have any questions regarding this letter, please contact the FDIC specialist that manages your relationship.

Sincerely,

Pamela J. Farwig
Deputy Director
Division of Resolutions and Receiverships