
From: Jay Squiers [mailto:jaysquiers@alumni.princeton.edu]
Sent: Thursday, April 09, 2009 9:41 PM
To: LLPComments
Cc: Jay Squiers (work)
Subject: Legacy Loan Program

Ladies and Gentlemen:

I have two comments on the Legacy Loan Program in response to your request for public comments.

With respect to Question 6 on how to facilitate the broadest possible participation in the program, I think it is vital that the auctions also be open to any distressed investors and not just the proposed PPIFs. While outside investors, like hedge funds and others, should not necessarily have access to the FDIC guaranteed debt, they should certainly be allowed to enter all cash offers on a competitive basis with the proposed PPIFs. In order to insure the fairest possible price for the pools of Eligible Assets, it is vital that the government not create an artificially closed auction, but that it instead open the process to all interested bidders, even those that do not involve government investment or loans.

With respect to Question 16 on the servicing of the loan pools, the winner bidder should have the right to require the Participant Bank to transfer the servicing to either the winning bidder or to a qualified entity designated by the winning bidder. Leaving the servicing with the Participant Bank may create conflicts of interests between the interests of the Participant Bank, which may have other relationships with the borrowers under the Eligible Assets, and the PPIF or other winning bidder seeking to maximize its return on its investment (and minimizing the cost to the FDIC in terms of loan guarantees). Allowing the Participant Bank to retain the servicing is not in the best interest of the program.

Thank you for your request for public comment.
Sincerely,

Jay D. Squiers