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**From:** Owen Mcgab Enaohwo [mailto:owen@zenithpropertyolutions.com]

**Sent:** Saturday, March 28, 2009 11:37 AM

**To:** LLPComments

**Subject:** Legacy Loans Program

My comments come to you with the insight of an active nonperforming note (distressed debt) buyer and broker. This is my specialty and I hope I can provide some value to your program.

- Which asset categories should be eligible for sale through the LLP? Should the program initially focus only on legacy real estate assets or should any asset on bank balance sheets be eligible for sale? Are there specific portfolios where there would be more or less interest in selling

through the LLP? **The program should focus strictly on legacy real estate assets (commercial and residential), primarily distressed whole loans because these are much easier to determine current value and hence determine purchase price.**

- Should the initial investors be permitted to pledge, sell or transfer their interests in the PPIF? If so, how should the FDIC ensure that subsequent investors meet the program's criteria for

investors? **The choice of should be left up to the investors as to what they want to do in this regard. A operating agreement should be outlined from the very beginning detailing what each parties role is in the PPIF.**

- What is the appropriate percentage of government equity participation which will maximize returns for taxpayers while assuring integrity in the pricing by private investors? How would a higher investment percentage on the part of the government impact private investment in PPIFs?

Should the amount of the government's investment depend on the type of portfolio? **The**

equity participation by the Treasury at 7.5% is just fine. I suggest that you give the investors the option of having Treasury be an equity partner or not. Most investors will just be fine with the debt financing provided by the FDIC at 85%.

- Is there any reason that investors' identities should not be made publicly available?

Investors value their privacy. Going the route of trying to force investors in the LLP program is not a wise choice. All you need is to establish the rules and roles of each party in the formation of any PPIF.

- How can the FDIC best encourage a broad and diverse range of investment participation? How can the FDIC best structure the valuation and bidding process to motivate sellers to bring assets

to the PPIF? You can encourage participation by requiring that those FDIC insured entities with ratios for "Nonperforming RE Loans / Total RE Loans" higher than 4% must bring their assets in for bidding otherwise risk losing their FDIC insurance.

- What type of auction process facilitates the broadest investor participation? Should we require investors to bid on the entire equity stake of a PPIF, or should we allow investors to bid on partial

stakes in a PPIF? If the latter, would a Dutch auction process or some other structure provide the best mechanism for bridging the potential gap between what investors might bid and recoverable value? If multiple investors are allowed to bid through a Dutch auction, or similar process, how

should asset management control be determined? **I think most investors will be interested in being allowed to bid on the entire equity stake of a PPIF. All we need is the 85% debt financing provided by the FDIC at reasonable interest rates (hopefully less than 7%).**

- What priorities (i.e., types of assets) should the FDIC consider in deciding which pools to set

for the initial PPIF auctions? **Distressed whole loans (commercial and residential) should be the priority because this is where you will get the most traction and response from investors.**

- What are the optimal size and characteristics of a pool for a PPIF? **\$500k of unpaid principal balance up to \$50 million of unpaid principal balances. If you keep your pool sizes within this range then you will get more bidders (why am I telling you this, it's only going to now make too much competition, lol).**

- What parameters of the note and its rate structure would be essential for a potential private capital investor to know at the time of the equity auction to provide equity?

Everything about the note is required. From its UPB, to origination date, term and so on. Basically drill the banks to get all the information that they have on the note and the borrowers.

- Would it be preferable for the selling bank to take a note from the PPIF in exchange for the pool of loans and other assets that it sells? Alternatively, what would be the advantages and disadvantages of structuring the program so that the PPIF issues debt publicly in order to pay cash to the selling bank? Would a public issuance of debt by the PPIF limit its flexibility compared

to the issuance of a note to a selling bank? **If the idea is for the banks to start getting liquid then the best choice in my view is for the selling bank itself to take a nonrecourse note from the PPIF, this way they exchange bad debt for good debt. All I ask is that the parameters for this note should be set by the FDIC and the interest rate should be less than 7%.**

- In return for its guarantee of the debt of the PPIF, the FDIC will be paid an annual fee based on the amount of debt outstanding. Should the guarantee fee be adjusted based on the risk

characteristics of the underlying pool or other criteria? **Of course it should be adjusted based off the risk. The riskier the less the fee.**

- Should the program include provisions under which the government would increase its participation in any investment returns that exceed a specified trigger level? If so, what would be

the appropriate level and how should that participation be structured? **No. The**

best way is that all equity partners split equally the profits or the loss. Keep it simple guys.

- Should the program permit multiple selling banks to pool assets for sale? If so, what constraints should be applied to such pooling arrangements? How can the PPIF structure equitably accommodate participation by smaller institutions? Under what process would proceeds be

allocated to selling banks if they pool assets? **No pooling should be allowed. Each selling bank should sell its assets separately. Keep it simple is the best solution. Its pooling of debt that got us here in the first place.**

- What are the potential conflicts which could arise among LLP participants? What structural arrangements and safeguards should the FDIC put into place to address or mitigate those

concerns? **This question is loaded and cannot be answered precisely. Every business venture has potential conflicts and the LLPs should seeks to solve their conflicts in the regular court of law.**

- What should the relative role of the government and private sector be in the selection and oversight of asset managers? How can the FDIC most effectively oversee asset management to protect the government's investment, while providing flexibility for working assets in a way which

promotes profitability for both public and private investors? **My answer to this question is that the FDIC should do what they can do to protect their interests while at the same time keeping in mind that most investors will want to**

have full control over the management of these assets. Too much control from the FDIC might discourage investors.

- How should on-going servicing requirements of underlying assets be sold to a PPIF and paid for? Should value be separately attributed to control of the servicing rights? **Most**

investors already have servicers. These assets should be sold "servicing released".

- Should data used by the independent valuation consultant, as well as results of such consultant's analysis, be made available to potential bidders? Should it be made available to

potential sellers prior to their decision to submit assets to bid? **I am in line with full and detailed disclosure to all parties involved.**

I hope my answers have been helpful and I look forward to being a resource should you need me.

I am part of a group of investors primarily focused on buying nonperforming notes and if you need their insights too let me know.

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