

From: Michael Kloeckner [mailto:redfrogcreations@wowway.com]
Sent: Wednesday, October 13, 2010 8:04 AM
To: Comments
Subject: Orderly Liquidation

Dear FDIC,

I have a grave concern regarding the proposed legislation. My fears are centered on one section, specifically one sentence of the new rules.

In the PDF, Section II: Proposed Rules, Page 11, last sentence of the second paragraph (see your PDF)

it appears in the news release here: <http://www.fdic.gov/news/news/press/2010/pr10224.html>

"The NPR also provides that secured creditors will only be protected to the extent of the fair value of their collateral. To the extent that any portion of the claim is unsecured, it will absorb losses along with other unsecured creditors. Secured obligations collateralized with US government securities will be valued at par."

This is very troubling, especially the sentence:

"Secured obligations collateralized with US government securities will be valued at par."

This entire mess was caused by CDO's - Collateralized Debt Obligations and leverage. This is the same situation being created again. Effectively you are turning any asset (no matter how toxic), into PAR value, by collateralizing it. (Granted the underlying collateral, if a Treasury security or other US Government asset may be more liquid than a mortgage, it is still dangerous.)

Extreme caution must be taken. The "secured obligation" being collateralized should be on a \$1 to \$1 basis. No leverage should be granted on the collateral.

I repeat **No leverage should be granted on the collateral.**

Allowing the Government securities to be leveraged or margined, then used as collateral, just starts another fiasco. This current proposal allows too much leverage and collateralization.

Please safeguard our future and system, do not make the same mistakes.

Sincerely,

Michael Kloeckner
A concerned American