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"Unlock the Bureaucracy."

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Honorable Spencer T. Bachus III (R-AL), Honorable Shelley Moore Capito (R-WV)
Testimony For The Record On FDIC Oversight -- For the Hearing held August 16 in Newnan, Georgia
House Financial Services Committee, Subcommittee on Financial Institutions and Consumer Credit
US House of Representatives, Washington, DC 20515

Testimony by Chuck Cushman, Executive Director,
American Land Rights Association
September 1, 2011

FDIC Bank Closure Policies and FDIC Authorized Aggressive Tactics by FDIC Partners Are Destroying Jobs, Small Businesses, and Communities -- Holding Back Economic Recovery and Job Creation

Problem: The FDIC's methodology, policies, and procedures, while closing an average of two banks per week have created significant, unnecessary hardships on American citizens, borrowers, and vendors of failed banks. FDIC policies have been a driving force in the destruction of local and the national economies, markets and industries, destroyed hundreds of thousands of jobs and promoted the growth and market share increases of national banks (too big to fail) to the detriment of community banks, the American people and the free market system.

The FDIC's use of Loss Share Banks (Banks or equity group formed banks, that purchase failed bank assets at deep discounts, which are further indemnified up to 80% of collection loses by the FDIC – **(Loss share banks receive reimbursement of 80% to 95% of losses on assets that don't yield a stated return**) and Public-Private Investment Program or PPIP's [partnerships with publicly-traded Wall Street hedge fund companies (such as Rialto/Lennar Multibank, Colony, Kingston, Starwood, Roundpoint, and other FDIC partners)].

These partnerships have fueled and accelerated the degradation of market economies and real estate values, artificially prolonged and deepened the current economic recession currently impacting the country. All this for the profit of the FDIC's private hedge fund partners. **The FDIC has apparently unintentionally become an active partner in victimizing hard working Americans and businesses.**

The statutory powers of the FDIC do not entitle them to pick winners and losers or to create different classes of citizens (borrowers versus depositors or the wealthy few versus the American public) especially with taxpayer money in violation of federal law (see TARP) Troubled Asset Relief Program requirements). In addition, FDIC procedures and methods have squandered the Deposit Insurance Fund in the conduct of their Receiverships and Loss Share Bank Agreements. **Finally, let's face it, the FDIC has been inconsistent and done a poor job regulating the banking industry.**

With regards to the PPIP's, the FDIC is using taxpayer/US Treasury funded interest free loans to finance the public/private structured sales, with little or no return to the taxpayer. The FDIC has shown no consideration of the unintended consequences to quality small businesses with strong track records (who were in good standing before the bank closure) and all for the profit of the FDIC and their publicly traded partners.

These businesses are being destroyed by foreclosures created by FDIC policy of choosing to partner with the huge Wall Street hedge funds. These local businesses are ultimately forced into bankruptcy eliminating most from hiring workers and rebuilding the economy.

The FDIC drafted the PPIP documents, which require the minority structured sale participant, Rialto/Lennar (in this partnership called Multibank 2009-1), to pursue borrowers without regard or consideration of to the circumstances surrounding their individual loans) until they cannot be legally pursued anymore. **FDIC policy does not even consider whether most borrowers were current on their** loans.

Rialto, Multibank, and other FDIC PPIP partners aggressively litigate borrowers, attempt to force them into bankruptcy, obtain judgments and further pursue those judgments against personal assets and savings and generally attempt to ruin all borrowers and guarantors, unless they pay the loans off or gain an unappealable court decision in the borrower's favor. **They aggressively use the court system in their tactics and will punish and outspend borrowers with legal fees until they are broken as their legal budget is unlimited and paid by the FDIC using taxpayer dollars. There is no way for the average citizen to fight back in court when all the court costs and legal fees are being paid by the FDIC (taxpayer).**

These unlucky borrowers had their loan at a bank that just happened to be closed by the FDIC. Overwhelmingly these borrowers were current with their loans but the FDIC bank receivership froze all loans, funding, and loan provisions. Rialto (FDIC Partner) aggressively uses the threat of the IRS as part of their tactics and they fund their efforts with taxpayer dollars at no cost to them. **There is no effort to work with borrowers already damaged by the FDIC's tactics.**

All of this economic disaster has been orchestrated by the FDIC. The FDIC policy requires full pursuit of all judgments as a condition for the participating PPIP minority partner to get paid its share. (This statement is repeated below in context.) (See attached statements by affected borrowers.)

The PPIP's are rewarded for employing FDIC scorched earth tactics against the borrowers of the failed banks and the effect of destroying local economies, jobs, and property values in addition to the borrowers' ability to support themselves going-forward. The borrowers did not cause the bank to fail and did not cause the disruption of their loans that result from the FDIC's process and use of outside contractors with little or no oversight from FDIC or Congress.

<u>Solution:</u> The FDIC sponsored attacks on small business must stop. Congress must limit the ability of the FDIC and their partners to go after deficiencies and personal assets. Collections must be limited to collateral securing the loans they acquire. What is needed is a **simple amendment to the FDI Act and FIRREA**, that is a variation on the "Bridge Bank" concept, which is already in the FDIC playbook. This will eliminate the waste and misery forced on the American public and economy by the FDIC and its partner companies. Together, they are destroying local businesses (borrower's) and other members of the local communities, victims of the bank closures that were not direct customers of the failed banks nationwide.

Without diminishing the FDIC's authority or autonomy, **this amendment** provides a **Preferred Least Cost Resolution** methodology, which protects depositors, borrowers and vendors of failed banks <u>and</u> the markets they serve <u>and</u> the people living and working within those markets whether they banked at the failed institution or not. The **Preferred Least Cost Resolution** protects everyone.

It treats everyone <u>fairly, equally and with respect</u>. It <u>eliminates</u> the need for <u>Loss Share Banks and FDIC PPIP's partners such as Rialto and Multibank</u>. It does <u>not</u> create different classes of citizens and it does <u>not</u> favor equity groups and hedge funds over the borrowers and jobs producers in the local market, as do current FDIC methods. It is demonstrably <u>less expensive</u> to the deposit insurance fund than current methods utilized by the FDIC. However, if the FDIC is allowed by Congress "to do things the way they have always been done", which is clearly <u>not the Least Cost Resolution as required by statute</u>, then the destructive effects of their efforts and alliances are reduced and contained by limiting the extent of their collections to realizing on the collateral securing the loans they acquire. It is still their choice.

PROPOSED LEGISLATION
THE PERFERRED LEAST COST RESOLUTION AMENDMENT

Without diminishing the role, historical purpose or authority of the FDIC as defined within the FDI Act and or FIRREA, we propose the following supplemental provision to the body of law known as The FDI Act and 12 USC 1821(e) and its various counterparts in their entirety known as FIRREA referred to herein as "THE ACTS":

"Notwithstanding anything contained within THE ACTS to the contrary, in which case this provision shall control and govern: The ***Preferred Least Cost Resolution*** for the resolution of the Receivership's assets shall be the contribution of capital by the FDIC, from the Deposit Insurance Fund, in an amount sufficient to adequately capitalize the Receivership's Capital Account as defined by prevailing regulatory standards for banks, in return for a preferred return not to exceed 10% per annum. During the term of the investment:

-----1. The Receiver shall retain the former bank's name, management and employees to operate the Receivership and manage the Receiver's assets and liabilities in the ordinary course and to honor all agreements, contracts and responsibilities including but not limited to all depository accounts and loan relationships of the former institution, thereby protecting all depositors, borrowers and vendors of the Receivership. The Receivership will also continue to make advances against valid loan contracts and renew loans for qualified borrowers in the ordinary course.

-----2. The Receiver shall not allow incentive compensation or excessive salary compensation to be paid to or accrued for the future payment to the former bank's management, now Receivership managers. Shareholder dividends will cease. Committee Member / Director compensation will be limited. The Receiver will employ a new Executive Manager to supervise the activities of the Receivership's managers and implementation of the regulator's safety and soundness recommendations by the Receiver's managers on the operation. The Executive Manager shall report solely to the FDIC as regulator in all matters and insure the implementation of the FDIC's policies and regulations.

-----3. Upon payment of the preferred return and return of all contributions of capital to the Deposit Insurance Fund managed by the FDIC, the Receiver and related State Banking Department will return sole control of the capital stock to the shareholders and reinstate the charter of the former bank to the shareholders and then managers of the former Receivership.

In the event the FDIC, in its sole discretion, pursues an alternate method as the Least Cost Resolution in lieu of the ***Preferred Least Cost Resolution*** for the assets of the Receivership, then the collection efforts of the Receiver, and any assignees of or successors-in-interest to the Receiver, by statute, will be limited to the disposition of collateral securing the Receivership's, assignee's and or successors-in-interest's note(s) in full satisfaction of Borrower's and Guarantor's obligations for the debt outstanding without exception.

<u>No deficiency will be allowed or sought by the Receiver or it's assignees or successors-in- interest</u> as a condition of note acquisition. If the Borrower desires to retain the collateral and maintain the loan payments on a current basis, then the Receiver will renew the note at a fixed market rate of interest limited to a maximum of 6% per annum including fees, for a term to maturity of not less than 60 months, on the same terms, conditions and amortization that were contained in the original contract as of the day of the Receiver's appointment, in which case a default by borrower will reinstate the Receiver's contractual right to pursue deficiencies and any other remedy allowed by law and enumerated in the original loan contract, in the event of borrower default."

CURRENT ACTIVITY OF PPIP'S PENDING INVESTIGATION

<u>Federal law, state law and the Uniform Commercial Code prohibit a party to a contract from benefiting from any illegality. It appears that Multibank and other FDIC created PPIP structured sale entities are clearly benefiting from an illegal act.</u>

The transaction funding the FDIC PPIP's appears to be illegal because it does not meet the requirements of TARP to borrow from the US Treasury. TARP required the borrower to provide the US Treasury with an equity interest in the borrower, so that the US Treasury could participate in the up side if a profit was realized. It is an essential component of the TARP program.

The FDIC publicly advertised that these PPIP's would be funded by TARP. These PPIP's failed to comply with the law and therefore, their use of taxpayer money appears to be illegal under the law (Troubled Asset Relief Program). The US Treasury / taxpayers were not provided an equity ownership position in the PPIP borrowers, that received the public funds interest free. THE TAXPAYER IS NOT EVEN EARNING A RETURN ON THE RISK OF TAXPAYER DOLLARS. The Multibank / Rialto PPIP alone spans 11 states across the country, representing 22 failed banks and 5,500 borrowers and $3.02 Billion Dollars.

To date, there are 27 FDIC PPIP's impacting some 39,000 borrowers nationwide and represent over $23 billion of loans and property in jeopardy. Many borrowers have already lost deficiency judgments, assets and everything they own to these tactics and many more litigations are on-going.

We respectfully request our elected representative in Congress:

-----1. Halt all funding by the US Treasury for the FDIC Public Private Partnership program until a complete audit is made by the FDIC Inspector General and the GAO (Government Accountability Office). Further, that the Congress freeze the lands taken by the FDIC and their partners with the ultimate goal of revesting these properties with the original owners where the abuse of power by FDIC and its partner companies have resulted in taking lands inappropriately and using the FDIC extreme powers inappropriately.

-----2. Congress must intervene to stop the attack on private owner assets and guarantees until these public audits are complete. The mass slaughter of small businesses and the damage to local communities must be brought to an end as quickly as possible. In other words, impose an immediate injunction against their collection activities and lawsuits until a thorough investigation can be performed.

-----3. Defund the Multibank /, and any PPIP's not in compliance with TARP, or using TARP funds.

-----4. Intervene and mandate that judgments already awarded to the Multibank & other PPIP's against borrowers be vacated due to their participation in an illegal act central to their benefit.

-----5. Intervene for a mass settlement between the Multibank & PPIP's and borrowers based solely on the transfer of collateral in full satisfaction of the debt.

-----6. Pass immediate Federal Anti-Deficiency Law that is based on recently approved Nevada Law AB 273- Anti-Deficiency Law. *This law* **limits** *PPIP*'s (like Multibank/Rialto/Lennar) *or Private Loan Speculators who re-purchase these notes for pennies on the dollar at depressed market values and make immense profits. These Loan speculators would be prevented from then also suing local borrowers for the personal deficiencies to make even more obscene profits after buying already depressed valued property or "double dipping".*

Background Explanation: RE: Amendment to the FDI Act and FIRREA: The FDI Act and FIRREA allow the FDIC in its sole discretion to resolve the assets for the failed bank in any way it sees fit. It has absolutely no responsibility for its results and impact on the economy. It is allowed to violate the most basic concepts of common law and contract law with immunity. It has no constraints on its methods or procedures and has demonstrated a preference for procedures that are slow in performance, waste Deposit Insurance Fund Dollars 3:1 or 4:1 as compared to the Preferred Least Cost Resolution proposed, aggregates foreclosures, destroys local markets, businesses and jobs and rewards the monied partners at the expense of the local borrowers, who have lost their investment. These results are completely unnecessary.

Moreover, absolute power corrupts absolutely. The FDIC will pursue its agenda and make claims of default against borrowers that are simply not true, in an effort to mask or defeat claims of "repudiation" by the Receiver, which by statute charges the default against the Receiver and effectively eliminates the Receiver's claims against the borrower and guarantor.

Since that is undesirable from their perspective (according to the FDIC and its partners everyone is guilty of something if they borrowed), the FDIC will persist in their claims in hopes of getting their way in court or using litigation as a means to get the borrower to stop the borrower from fighting their will. To those ends, the FDIC prefers to hide behind others to obfuscate the truth, their actions and intentions. They routinely use contractors in failed banks to talk with Borrowers and dispense the line the FDIC wants to project. They hide behind minority partners like Rialto/Lennar in the PPIP's or Loss Share Banks for the same reasons.

The FDIC managers are career bureaucrats and do not want to be accountable for making decisions to their superiors. So they will literally defer a resolution offer from a borrower that may be 75-85% of the loan balance in favor of selling assets off in the debt auctions for pennies on the dollar or for 20-35 cents on the dollar to PPIP's or Loss Share Banks, so they can hide behind the claim that it was out of their hands. The lesser sum was just the result of the "market" mechanism. They have literally refused 100 cent recoveries from borrowers because it was inconvenient to remove the loan from a block of loans going to auction or because they worked an alternate deal with some loan participant behind the scenes, that resulted in a discount.

The FDIC and PPIP partners' methods of operating receiverships are very disruptive to the operation and administrative processes of the loan portfolios they take over. Borrowers are often caught in the act of renewing their loans just prior to the bank's failure and those maturing loans don't get renewed. So the loan matures in the Receiver's possession or with an over-whelmed Loss Share Bank and the borrower is declared in default due to maturity.

Once the bank fails and routine loan billing is interrupted for any reason, the loans that are shown as past due in the system without regard to reason are placed on non-accrual at 3 months and statements stop being generated by the loan system, assuming statements were being sent from the outset. The point is closing a bank is very disruptive to the borrower and the administration of his note. People not receiving statements and are reluctant to send money into the big black hole and hope it gets applied properly. Months and literally a year can go by before the new, often overwhelmed note holder gets to you regarding your loan, by which time you are in default.

The FDIC requires their partners to pursue a borrower until they cannot be pursued legally anymore. They reward their partners with Loss Share arrangements that reimburse them for "losses" realized when an asset brings less than the loan balance as a result of foreclosure. The Loss Share Banks typically get an 80% reimbursement for such losses. Here is an easy example. The loan has a $100,000 balance. The Loss Share Bank only paid $35,000for it. The collateral is appraised for $50,000 in a spiral down market heavily influenced by the FDIC's procedures and impact in that market.

So the Loss Share Bank gets a $50,000 asset FMV(fair market value) for a $35,000 investment and the FDIC reimburses them $40,000 cash (80% of a $50,000 loss). The Loss Share Bank just realized $90,000 ($50,000 FMV + $40,000 cash) on a $35,000 investment. That's a 257% return with no risk. . The FDIC only offers this kind of deal to Loss Share Banks, not other smaller businesses.

The PPIP's are back-stopped or 100% guaranteed against deficiency losses using the same formula so they make even more. Meanwhile, the borrower has lost his or her investment and the note-holder is going after all of the loan holder's remaining assets to make up for a theoretical $50,000 loss. This is required by the FDIC in return for being back-stopped. In theory, it allows the PPIP a way to minimize the FDIC's back-stop exposure because the PPIP's are pursuing a **scorched earth collection policy**.

The Preferred Least Cost Resolution would have the FDIC using Deposit Insurance Fund (DIF) dollars to invest the amount of capital needed to heal the bank's capital account at a preferred return. Then, the Deposit Insurance Fund would have an earning asset instead of a loss related to the receivership of the bank. Example: American Southern Bank failed April 24, 2009. The FDIC estimated the loss to the Deposit Insurance Fund would be $41.9 Million Dollars.

American Southern had been attempting to raise $14 Million Dollars to heal its capital account and meet regulatory standards. Therefore, the Least Cost Resolution would have the FDIC investing $14 Million at 10% preferred return to the fund instead of doing it their way and losing $41.9 Million.

That's a $27.9 Million savings before considering a preferred 10% return on $14 Million invested. Community Bank of West Georgia failed 6/26/2009. It was estimated that they needed $25 Million to recapitalize their capital account. The FDIC was appointed receiver and estimated a $85 Million loss to the fund. That's a 3.5:1 loss versus using the Preferred Least Cost Resolution.

To demonstrate the impact on local markets and the aggregating of foreclosures, consider this. It is estimated that the 2009 - 2010 Loss Share Banks will dump $3.5 Billion Dollars of real estate on the north Georgia foreclosure market in 2014 to take advantage of and maximize the 80% Loss Share reimbursement before it expires. The Loss Share Agreements only last for 5 years. This one single event will crush the north Georgia economy again in 2014 and delay the state's full recovery until 2025 or 2030.

Congress must stop the madness.

Congress must investigate and curtail funding the PPIP's in violation of TARP, suspend PPIP Collection Activity of all FDIC PPIP’s (like 2009-1 Multibank RES-ADC Venture, LLC and 2009-1 Multibank CML-ADC Venture, LLC 40% owned by Rialto/Lennar,) and promote a class settlement between all PPIP's and borrowers.

For example, two FDIC PPIP’s entities known as Multibank 2009-1 RES-ADC Venture, LLC and Multibank 2009-1 CML-ADC Venture, LLC, purchased $3.02 Billion dollars of distressed loans in bulk, with knowledge of the loans' distressed condition, using taxpayer dollars at 0% interest for up to 4 years under the TARP program. The FDIC PPIP's are Public Private Partnerships in which FDIC retains a 60% interest and the private hedge funds (like Rialto/Lennar) retains a 40% interest). There are 27 PPIP's affecting over 39,000 borrowers and $23 Billion in loans.

The Multibank 2009 RES-ADC borrowed $441,698,466 and Multibank 2009 CML-ADC borrowed $185,207,975 from the US Treasury and both have arranged the opportunity to borrow more. Together Multibank RES and Multibank CML alone have borrowed more than ½ Billion Dollars. The American taxpayer earns no interest or return on the use of its money. Only Wall Street traded company hedge funds like Rialto Capital, a wholly owned subsidiary of a NYSE traded national homebuilder called Lennar Corporation profit from free use of taxpayer money.

(This is a restatement from the Problem section above.) The FDIC drafted the PPIP documents, which require the minority structured sale participant, Rialto (in this partnership called Multibank 2009-1), to pursue borrowers (without regard to the facts surrounding their individual loans) until they cannot be legally pursued anymore. Never mind that many if not most were current on their loans.

Rialto/Lennar, Multibank, and others aggressively litigate borrowers, attempt to force them into bankruptcy, obtain judgments and further pursue those judgments and generally attempt to ruin all borrowers and guarantors, unless they pay the loans off or gain an unappealable court decision in the borrower's favor. They aggressively use the court system in their tactics and will punish and outspend borrowers with legal fees until they are broken as their legal budget is unlimited and paid by the FDIC using tax payer dollars.

These are unlucky borrowers who had their loan at a bank that just happened to be closed by the FDIC. Overwhelmingly these borrowers were current with their loans but the FDIC bank receivership froze all loans, funding, and loan provisions. Rialto aggressively uses the threat of the IRS as part of their tactics and they fund their efforts with taxpayer dollars at no cost to them. There is no effort to work with borrowers already damaged by the FDIC's tactics. All of this has been orchestrated by the FDIC, required by the FDIC and performed with the FDIC's full knowledge and requirement as a condition for the minority partner(like Rialto/Lennar) to participate in the PPIP.

The FDIC further guarantees to fund any deficiency realized after collateral is sold, so Multibank and the participant Rialto have **no risk** of loss on the loans. They are 100% guaranteed against loss by the FDIC. NO RISK. They not only take the collateral for pennies on the dollar to make a guaranteed profit but also seek to take all assets of the borrowers in addition to the collateral on the loan. The PPIP are indemnified against loss on the disposition of collateral relative to the loan balance, which guarantee that the FDIC will reimburse the private speculators for any losses in their attempt to foreclose" on loans, and the FDIC pays all bloated legal / litigation expenses and loan management fees of the private speculator minority partners (like Rialto/Lennar).

Multibank, Rialto and other PPIP's are rewarded for employing scorched earth tactics (total destruction of an borrower's resources, purely for historic FDIC anti-business policy reasons rather than economic solution orientated reasons) **against the borrowers of the failed banks and the effect is to destroy local economies, jobs, and property values in addition to the borrowers' ability to support themselves going-forward. The borrowers did not cause the bank to fail and did not cause the disruption of their loans that result from the FDIC's process and use of outside contractors.**

The transaction funding the Multibank PPIP's appears to be illegal because it does not meet the federal requirements of TARP to borrow from the US Treasury. They are borrowing from the FDIC. TARP required the borrower to provide the US Treasury with an equity interest in the borrower, so that the US Treasury could participate in the upside if a profit was realized. It is an essential component of the TARP program . The FDIC publicly advertised that these PPIP's would be funded by TARP.

These PPIP's appear to have failed to comply with the law and therefore, their use of taxpayer money is illegal under the law (Troubled Asset Relief Program). Just the Multibank 2009-1/Rialto transaction spans 11 states across the country, representing 22 failed banks. As of March 2011, the FDIC has closed a total of 27 (illegal) structured sale transactions transferring almost 39,000 asset loans and $23.3 billion in unpaid principal balance. This spans a majority of the states and represents hundreds of failed banks across the US.

The **National Anti-Deficiency Law** *would limit the impacts of the FDIC/Federal Government policy especially when creating public/private structured partnerships with national* hedge fund speculators *(like FDIC partners Multibank/Rialto/Lennar).*

This legislation needs to be adopted in conjunction with the Preferred Least Cost Resolution Amendment proposed. It would allow the original lender the right to pursue a personal deficiency as long as the original lender was allowed to continue to operate in Receivership under the proposed amendment, provided FMV of the underlying collateral was deducted from the outstanding loan balance. If the FDIC decides to close the bank in lieu of the Preferred Least Cost Resolution, then the FDIC as Receiver would lose the right to pursue deficiencies. This legislation needs to be adopted as Federal Law as it must also apply to Federal Agencies, the FDIC and PPIP's who have already started to claim that they are not subject to state Laws like AB 273- Anti-Deficiency Law.

It is critical that the Congress take immediate action to stop the abuses by the FDIC and its partner companies. Please consider and support the recommendations contained within this testimony and proposed legislation. The FDIC and their partners are destroying small businesses, killing jobs, and worsening our chance for recovery.

Regarding FDIC openness and accountability. Numerous letters were sent by various borrowers to the FDIC Chairman Shiela Bair over more than a year. To our knowledge, none were responded to. So much for transparency.

Respectfully submitted for your consideration,

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Contact the two coalitions working to stop this extreme FDIC abuse: FDIC Rialto Affected Borrowers Coalition (FRABCo), 10013 NE Hazel Dell Ave #237, Vancouver, WA 98685—FRABCo.org@gmail.com -- 503-972-4080. Check out the Frabco website: http://reactioncommittee.com/

Second coalition is the FDIC Bank Closure and Foreclosure Coalition section, formed by the American Land Rights Association, PO Box 400, Battle Ground, WA 98604, (360) 687-3087
It is operating under American Land Rights. Website: www.landrights.org
Contact: Chuck Cushman at ccushman@pacifier.com

See attached testimony by other FDIC Bank Closure Victims and other information below.

Other attachments, links, and references that show impact to almost 39,000 FDIC failed bank borrowers across the US:

http://www.nytimes.com/2009/04/07/business/07sorkin.html
The New FDIC Partner "Banks" **FDIC Structured Sales Transactions**
Since May of 2008, the FDIC turned to a **"partnership model to sell large numbers of distressed assets (primarily non-performing single family and commercial real estate loans and related real property) held by recently failed financial institutions." (Editors note: Many of the commercial real estate loans were performing but were bundled up in the structured sales giving tens of thousands of innocent small businesses no way out.)**

As of March 2011, the FDIC has closed 24 structured sale transactions transferring 38,800 assets and $23.3 billion in unpaid principal balance. The FDIC stays on as a partner in these transactions with the stated goal of capturing upside and appreciation as the loans are worked through and the economy and asset values recover.

For the borrowers of failed banks whose loans were acquired in the structured transactions, the new FDIC entities have become, in essence, the borrower's new bank as the loans are worked out and resolved with the new owners. (However, they are rarely worked out. Rialto, Multibank, and other PPIP' throw so many roadblocks into the process that they appear to be deliberately forcing foreclosure and bankruptcy.

Four investor groups (highlighted in yellow below) have dominated the bidding, in some cases winning multiple bids, and together accounting for nearly 60% of the book value purchased in structured transactions as well as now controlling over 50% of loans assumed by the FDIC LLC's.

Continued on next page.

Winning FDIC Structured Sale Bidder	No. of Loans	Implied Price (millions)	Book Value (millions)
Cache Valley Bank	761	$63	$279
Colony Capital Acquisitions, LLC	**5,104**	**$1,904**	**$4,035**
Diversified Business Strategies	147	$205	$702
Gulf Coast Bank & Trust	733	$48	$146
Hudson Realty Capital Fund V LP	110	$19	$102
Kingston Management Services	1,112	$101	$1,120
Mariner Real Estate Partners, LLC	1,062	$264	$762
OneWest Ventures Holdings LLC	3,044	$271	$1,652
PennyMac	2,829	$215	$558
PMO Loan Acquisition Venture, LLC (OakTree Capital)	279	$695	$1,703
Residential Credit Solutions, Inc.	**9,230**	**$1,191**	**$2,218**
Rialto Capital Management LLC	**5,511**	**$1,235**	**$3,052**
Roundpoint Capital Group	6,786	$416	$1,094
Square Mile Capital LLC	57	$346	$421
Starwood (Northwest Operating Company) LLC	**101**	**$2,725**	**$4,402**
Stearns Bank	520	$161	$733
Turning Point Asset Management, LP	1,456	$111	$314
Totals	**38,842**	**$9,971**	**$ 23,293**

We urge and support Congress to pass immediate Federal Anti-Deficiency Law Legislation that is based on recently approved Nevada Law AB 273- Anti-Deficiency Law –

This law ***limits*** *by National Builders or Private Loan Speculators (like Multibank/Rialto/Lennar) who re-purchase these notes for pennies on the dollar at depressed market values and make immense profits. These Loan speculators would be prevented from then also suing local borrowers for the personal deficiencies to make profits that are even more obscene after buying already depressed valued property or "double dipping" . The original lender still has the right to pursue a personal deficiency as long as the fair market value of the property is deducted from the note value.*

A national ***Anti-Deficiency Law*** *will help put local businesses on a level playing field with the national competitors builders/private speculators who are trying to drive local businesses out of the market. This legislation needs to be adopted as Federal Law as it must also apply to Federal Agencies (like the FDIC) who through use of taxpayer/US Treasury funded techniques of public/private structured sales* *try to dispose of FDIC closed bank assets with no consideration of the unintended consequences. The* ***Anti-Deficiency Law*** *would limit the impacts of the FDIC/Federal Government policy especially when creating public/private structured partnerships with national homebuilder competitors (like Multibank/Rialto/Lennar).*

The FDIC has been giving away 7-year, no-interest, non-recourse guaranteed loans with attached Loss Share Agreements, which guarantee that the Federal government will reimburse the private speculators for any losses in their attempt to "double dip" on loans, and the FDIC also agrees to pay bloated legal fees and loan management of the private speculators. In the case of Bulk Sale Portfolio Loans, the aggregate price paid for a portfolio of loans will be pro-rated and applied to each individual loan in the portfolio. (e.g. if Loan Purchaser purchased $100 Million dollars in loans for $20 Million dollars, the assigned price paid for each loan in the portfolio would equal 20 cents on the dollar.) *The* ***Anti-Deficiency Law Federal Legislation will also add provisions to give borrowers the option to get back the ownership foreclosed properties if desired (now held by the FDIC/Multibank/Rialto/Lennar) who were previously wrongfully stripped of their property by unjust foreclosure actions that this Anti-Deficiency Law Federal Legislation would now prevent.***

This Nevada Law is explained in a video interview at:
http://www.vegasinc.com/videos/2011/jun/13/5227/

A link to the text of the Law is at: http://www.leg.state.nv.us/76th2011/Reports/history.cfm?ID=586

What does loss share mean and how it works.
The FDIC uses two forms of loss sharing. The first is for commercial assets and the other is for residential mortgages.

For commercial assets, the agreements typically cover an eight-year period with the first five years for losses and recoveries and the final 3 years for recoveries only. FDIC will reimburse 80 percent of losses incurred by acquirer on covered assets up to a stated threshold amount (generally FDIC's dollar estimate of the total projected losses on loss share assets), with the assuming bank picking up 20 percent. Any losses above the stated threshold amount will be reimbursed at 95 percent of the losses booked by the acquirer.

For single family mortgages, the length of the agreements tend to run for 10 years and have the same 80/20 and 95/5 split as the commercial assets. The FDIC provides coverage for four basic loss events: modification, short sale, foreclosure, and charge-off for some second liens. Loss coverage is also provided for loan sales but such sales require prior approval by the FDIC. Recoveries on loans which experience loss events are shared in the same proportion as the original loss.

See additional testimony by other victims in a separate file: FDIC Victim Statements.