

Legacy Loan Program

Sample Investment Under the Legacy Loans Program

Step 1: A Participant Bank has a pool of residential mortgages with \$100 face value that it is seeking to divest approaches the FDIC.

Step 2: The FDIC determines that it would be willing to leverage the pool at a 6-to-1 debt-to-equity ratio.

Step 3: The pool would then be auctioned by the FDIC, with several private sector bidders submitting bids. The highest bid from the private section – in this example, \$84 – would be the winner and would form a PPIF to purchase the pool of mortgages.

Step 4: Of this \$84 purchase price, the FDIC provides guarantees for \$72 of financing, leaving \$12 of equity to be funded by the PPIF.

Step 5: Treasury funds 50% of the equity on a side-by-side basis with Private Vehicle. In this example, Treasury invests \$6 and the Private Vehicle contributes \$6.

Step 6: The Private Vehicle manages the servicing of the asset pool and the timing of its disposition on an ongoing basis – using asset managers approved and subject to oversight by the FDIC.

