

# FDIC Announces Winning Bidder of Pilot Sale for the Legacy Loans Program

## September 2009

On September 16, the FDIC announced the winning bidder of a test sale of receivership assets conducted as part of the proposed funding mechanism for the Legacy Loans Program (the “Program”), a key element of the Treasury Department’s Public-Private Investment Program (“PPIP”) designed to enable banks to dispose of distressed loans.

The winning bidder, Residential Credit Solutions (“RCS”), purchased a 50 percent equity stake in a limited liability company (“LLC”) under a 6-to-1 leverage option, to which the FDIC will convey a \$1.3 billion portfolio of residential mortgage loans owned by the FDIC as Receiver of Franklin Bank, SSB, Houston, Texas. Under the terms of the sale, RCS will pay \$64.2 million in cash and the LLC will issue a note of \$727.8 million to the FDIC as Receiver. RCS will manage the portfolio and service the loans subject to the Home Affordable Modification Program guidelines. (Bidders were given leverage options of 6-to-1 and 4-to-1, as well as a straight cash bid for a 20% ownership interest in the LLC.)

The FDIC, in its corporate capacity, will guarantee the LLC note. It anticipates selling the note at a future date. The FDIC will analyze the results of the sale to determine its efficacy.

### Related Professionals

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- **James P. Gerkis**  
Partner
- **David W. Tegeler**
- **David A. Picon**  
Partner
- **Jeffrey A. Horwitz**  
Partner
- **Bruce L. Lieb**