

### **SPECIAL ASSET STRATEGIES:**

Through May 2010, the [FDIC](#) has entered into 161 loss sharing agreements with \$173.5 billion in assets under loss sharing. Loss shares are supposed to take daily management of loans and property out of the hands of the FDIC and its contractors and place it into the hands of banks that have acquired the failed institutions originally responsible for the loans. Each loss share can be very different. Typically, the FDIC will reimburse 80 percent of losses incurred by the acquirer on covered assets up to a stated threshold amount with the acquiring bank absorbing 20 percent. The agreement is supposed to align everyone to maximize values, but some debate whether this is actually the case. Like most of real estate it just depends on the asset and the location....and in today's world, it also heavily depends on the initial appraisal that sets the "stated threshold amount." If the appraisal is well above the actual market value, gaining approval for the sale under the loss share is extremely difficult and time consuming. Since the acquiring bank has five years to address these portfolios, it has to determine how its resources are best spent today – working on assets it can sell or going through the process and paperwork to reset an incorrect value. Because of open records laws, the FDIC provides links to full copies of every loss share agreement at [www.FDIC.gov](http://www.FDIC.gov). Also, this link has additional information about [loss share agreements and a video](#) provided by the FDIC.

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