

United States Senate

WASHINGTON, DC 20510

March 10, 2024

Hon. Martin Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Chairman Gruenberg,

I write to express my concern about the Federal Deposit Insurance Corporation's (FDIC) sale of Signature Bank's loan portfolio. Various sources indicate that the bid chosen by the FDIC was not the highest offer submitted. If these reports are true, this decision raises serious questions about the FDIC's auction process and its justification for imposing unnecessary costs on taxpayers.

Recent reports indicate that Brookfield Property Group submitted a bid exceeding 80 cents on the dollar, surpassing the bid led by Related Fund Management, which was less than 70 cents on the dollar.¹ The FDIC ultimately selected the lesser bid offered by Related Fund Management. These reports raise questions about the agency's adherence to its legal requirements for disposing the assets of institutions in default. The FDIC is required by law to "[maximize] the net present value return from the sale or disposition of such assets" and "[minimize] the amount of any loss realized in the resolution of cases."² While the FDIC also has a mandate to preserve housing availability and affordability for low- and moderate-income individuals, there is no legal basis for this factor to be prioritized above other factors that safeguard American taxpayers from undue losses. The FDIC's decision to select an offer that was outbid by more than 14 percent raises questions about its compliance with its requirements to maximize the value of the sale and minimize losses.

My concerns about this sale are heightened by the level of political attention it has attracted. For example, the administration of New York City Mayor Eric Adams took the unusual step of sending a letter to the FDIC endorsing the bid submitted by Related Fund Management and its nonprofit partners, Community Preservation Corp. and Neighborhood Restore.³ Under no

¹ Andrew Coen, *Related Slated to Win Signature's Rent-Regulated Loan Pool, Despite Being Outbid*, Commercial Observer (Nov. 20, 2023), <https://commercialobserver.com/2023/11/related-slated-to-win-signature-banks-rent-regulated-loan-pool-outbid-competitors/>.

² 12 U.S.C. § 1823(d)(3)(D).

³ Kathryn Brenzel, *City Hall backs Related's bid for Signature Bank's loans*, The Real Deal (Nov. 29, 2023), <https://therealdeal.com/new-york/2023/11/29/adams-administration-backs-related-signature-bank-bid/>.

circumstances should a bid be selected because it is politically favored or because a bidder—in this case, Community Preservation Corp.—professes commitments to progressive political causes.⁴

Additionally, the FDIC's acceptance of a lower bid could exacerbate stress in New York City's commercial real estate market. The lower purchase price of Signature's assets could potentially impact the mark-to-market value of other banks' commercial real estate loans, increasing pressure on portfolios that are already causing strain within the regional banking system. Given these concerns, I seek responses to the following questions and requests by no later than March 25, 2024:

1. The FDIC is required by law to dispose of the assets of an institution in default in a manner that:
 - a) maximizes the net present value return from the sale or disposition of such assets;
 - b) minimizes the amount of any loss realized in the resolution of cases;
 - c) ensures adequate competition and fair and consistent treatment of offerors;
 - d) prohibits discrimination on the basis of race, sex, or ethnic groups in the solicitation and consideration of offers; and
 - e) maximizes the preservation of the availability and affordability of residential real property for low- and moderate-income individuals.⁵

How does the FDIC balance the aforementioned factors when disposing of the assets of an institution in default?

2. How did the FDIC apply the aforementioned factors when evaluating competing bids for Signature Bank's loan portfolio?
3. There are reports that the FDIC rejected a bid that surpassed the chosen bid by more than 10 cents on the dollar. Are these reports true? If so, what is the agency's justification for this decision?
4. Please provide all documents and records pertaining to the FDIC's auction of Signature Bank's loan portfolio, including but not limited to:
 - a) Present-value analysis of all bids considered;
 - b) Qualitative or quantitative scoring methods used to evaluate bids;
 - c) Justifications for selecting the winning bid.

⁴ See "2023 Annual Report," Community Preservation Corporation, <https://communitycp.com/2023annualreport/>.

⁵ 12 U.S.C. § 1823(d)(3)(D).

5. Please provide all correspondence between the FDIC and stakeholders relevant to the auction of Signature Bank's loan portfolio, including the offices of New York City or state governments.

Sincerely,

A handwritten signature in blue ink that reads "Bill Hagerty". The signature is written in a cursive style with a large initial "B" and a long, sweeping underline.

Bill Hagerty
United States Senator