

FDIC Corrected Bank Closure Victim Statements

Moustafa Mokhemar

Testimony to the House Financial Services Committee, August 16 hearing in Newnan, Georgia.

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President: Blake Construction, Cobblestone at Ivy, Wellington Lake Estate

August 14, 2011

To whom it may concern:

For 15 years, I held development and construction loans with the Community Bank of Loganville, located in Loganville, GA. I had a revolving loan agreement with the bank that allowed me to borrow up to \$10 million dollars in order to build and develop various projects within the Metro Atlanta area. In addition, the Community Bank of Loganville requested that I maintain a line of credit using my wife's personal house for collateral. The loan performed continuously and property was continuously being bought, developed, built upon and sold. Suddenly, in November of 2008, the FDIC closed and seized the Community Bank of Loganville. The FDIC, as receiver, froze everything. In March of 2010, the FDIC sold a portfolio of loans to a joint venture/partnership among Rialto Capital, Lennar Homes, Multibank and the FDIC. It is my understanding the Rialto Capital and Multibank are subsidiaries of Lennar Homes.

In this letter, I plan to support the following contentions:

-----1. The FDIC dallied around with negotiations pertaining to my properties based on current market conditions but never concluded anything prior to entering into the partnership with Rialto/Lennar/Multibank. It is my understanding that this partnership not only nets the FDIC less than 50% of the original loan amounts but it also extends to Rialto/Lennar/Multibank financial terms that no 'small-business' borrower would ever be offered (0% interest for 7 years on \$627 million dollars of none-recourse money).

-----2. In my opinion, the Agreement with Rialto/Lennar/Multibank encourages them to sue and foreclose on borrowers rather than to attempt to settle. This lack of negotiation is prolonging the real estate slump and serves only to enrich Rialto/Lennar/Multibank at the expense of everyone – including the FDIC and taxpayers. "Smaller" homebuilders and developers are being forced into declaring bankruptcy in unprecedented numbers because they are then being further sued for "deficiencies".

-----3. Rialto/Lennar/Multibank's business tactics are perfectly legal as per an in-depth expose printed in the San Francisco Public Press on July 6, 2010 (See exhibit A). However, the article delves into the business practices of this company (ies) and many concerns are readily apparent.

-----4. It is my understanding that the FDIC's Partnership Agreement with Rialto/Lennar/Multibank allows Rialto/Lennar/Multibank to charge the FDIC (and therefore, the taxpayers) a fee on top of all their costs, so an expenditure of \$100,000.00 in legal fees results in a profit for Rialto/Lennar/Multibank and a loss to both the taxpayers and the borrowers (see exhibit B).

-----5. In my opinion, the partnership between the FDIC and Rialto/Lennar/Multibank is resulting in the bankruptcy of an unprecedented number of 'smaller' homebuilders and

developers across America. Diminishing the number of small, local homebuilders/developers reduces the competition for Lennar Homes, a \$3 Billion dollar company and one of America's largest homebuilders and – not coincidentally – Rialto's parent company.

-----6. Lennar Homes is receiving a significant portion of their profits from the various ventures and partnerships which they have entered into with the FDIC but is not working with borrowers to have local Lennar divisions build out uncompleted subdivisions which would result in a much larger return to the FDIC and the taxpayers. In the first quarter of 2011, Lennar made \$11 Million dollars in profits from its Rialto subsidiary but lost money from its job-creating, value-adding homebuilding operations!

Contentions Elaborated

-----1. In November of 2008, a representative from the FDIC by the name of Mr. John Palmer contacted in regard to signing a Privacy Act Statement which would allow the FDIC, presumably, to begin negotiating with me (see exhibit C). After I signed the statement, we had our 1st meeting. In that meeting, Mr. Palmer pointed his finger at me and stated that I had to lose everything because I had caused the economic problems in this country. I questioned if he was accusing me of causing General Motors and other companies to file bankruptcy? (taped exhibit D is available upon request). Mr. Palmer had no reply. In any event, the meetings continued to occur in an attempt to reach a settlement. I eventually hired a negotiator to negotiate on my behalf in an attempt to expedite the negotiations.

The FDIC continued strung us along ('e' mail exhibit E is available upon request). In addition, the FDIC demanded to have access to many personal as well as business documents, including my personal passport. They further stated that they were in contact with the FDIC head office and had to wait for directives about how to proceed with the negotiations. Finally, in February of 2010, I received a letter from the FDIC stating that Multibank was now holding all of my loans. (exhibit F is available upon request).

Had the FDIC worked with me and even given me minimal terms, let alone the unheard of terms which the FDIC gave to Multibank in their partnership, my properties would have been completed. 100% of the loan would have been paid back, the communities' property values would have been protected and jobs would have been saved. Ironically, the FDIC's actions (or inactions) during this time hurt the property values of the existing properties surrounding my properties, most of which have some form of government guaranteed mortgage on their homes.

-----2. In early March of 2010, I began receiving phone calls from Mr. Greg Ashley, who stated that he was representing Rialto/Lennar/Multibank. He requested a meeting with me and stated that before meeting, I would have to sign a Pre-Negotiation Letter (commonly referred to as a Green Letter) (see exhibit G). Upon reviewing the letter, I realized that that Mr. Ashley and company were requiring me to forfeit all of my rights to sue or to take any actions against them regardless of their course of action.

I requested to meet with Mr. Ashley so I could better understand what they were offering and what my potential options would be. The meeting was set for the end of March, 2010. When I walked in to the meeting, I met Mr. Ashley and was introduced to 3 other gentlemen by name only. One of the men, I believe his name was Mr. Todd Tellwillicker, stated that "they are vultures and they are out to get everything" (taped exhibit H is available upon request). Obviously, the meeting was counterproductive and was terminated.

Two weeks later, Mr. Ashley called me to request another meeting. Upon arrival, I found Mr. Ashley in the company of 3 different gentlemen. Again, the men were identified by name only, with one being Mr. Shoeman who, I found out later, was the head of the Atlanta office and, I believe, he is an attorney. They encouraged me to sign the Green Letter. I requested the opportunity to review the letter with someone knowledgeable about the legality of documents and they agreed. We then had a conference call with Mr. Ed Marger, Attorney at Law – he suggested some changes. The group agreed to the

changes and I then signed the letter. After that meeting, Mr. Ashley, et al, were no longer interested in attempting neither to negotiate nor to speak with me.

-----3. Please refer to the article as published in the San Francisco Public Press, dated July 6, 2010 and presented as exhibit A for details about the business practices of Rialto/Lennar/Multibank.

-----4. Please refer to Exhibit B for details about how Rialto/Lennar/Multibank works diligently to accumulate excessive fees to the FDIC's and taxpayer's losses. Rialto/Lennar/Multibank has a habit of foreclosing on acquired properties under various LLC's, possibly compounding difficulties for FDIC when they attempt to calculate their share of the profits. Case in point: on August 2, 2011, the day prior to Rialto/Lennar/Multibank's foreclosure on all of my properties, including my personal home in which I resided, they sold all of my loans to a company named Res.Cobblestone at Ivy, LLC, which in reality was yet another subsidiary of Lennar Homes, mirroring past business practices as outlined in the San Francisco Public Press article.

On a more personal note, I will now detail how Rialto/Lennar/Multibank/Res.Cobblestone at Ivy, LLC is no longer satisfied with just ruining businesses but is now attempting to ruin the private lives of citizens of the United States. In September, 2010, they foreclosed on the line of credit for my personal house without notifying me or my wife. My wife holds the mortgage on our personal home. I hired an attorney named Mr. Grady Roberts. He challenged Rialto/Lennar/Multibank/Res Cobblestone at Ivy, LLC for the foreclosures.

On Sept 15, 2010, Rialto/Lennar/Multibank/Res Cobblestone at Ivy, LLC, filed a 300 page lawsuit against me and Grady Roberts and others, both personally and through our businesses. On September 16, 2010, at 6:00 PM, I saw a package, by chance, on my front porch. It was the 300 page document and there was a notice that I was supposed to be in court on Sept 17, 2010, at 8:45 AM. When I arrived, the sheriff kicked me out of the courtroom even though I had been sued personally and I was supposed to have the right to defend myself. It is my understanding that, not only were my civil/judicial rights violated, but the court took actions against me while not allowing me nor telling me why I was not allowed to remain in the courtroom

In the lawsuit, Rialto/Lennar/Multibank/Res Cobblestone at Ivy, LLC requested that everyone stay 1,000 yards away from the properties, including my personal house. I was supposed to supply Rialto/Lennar/Multibank/Res Cobblestone at Ivy, LLC with leases and rent income for all of the properties. I didn't have leases for any of the properties. 2 of the properties were occupied on a month - to- month basis. The other 2 properties were occupied without any lease. The only property that I continued to go to was my personal house. My wife owned the house and we resided there with our daughter.

Judge Brasher gave Rialto/Lennar/Multibank/Res Cobblestone at Ivy, LLC everything that they wanted and never heard my defense. After that, Rialto/Lennar/Multibank/Res Cobblestone at Ivy, LLC filed for a contempt of court order. And again, Judge Brasher gave them everything without hearing my defense. My attorney appealed and Rialto/Lennar/Multibank/Res Cobblestone at Ivy, LLC went after my attorney - allegedly, trying to have him quit working for me so that I would not have any legal representation. Rialto/Lennar/Multibank/Res Cobblestone at Ivy, LLC filed a contempt of court order against my attorney; they complained to the bar of GA; they complained to the federal court.

On March 29, 2011, Rialto/Lennar/Multibank/Res Cobblestone at Ivy, LLC served my wife and me with a command to appear in magistrate court in Forsyth County in regard to our personal house. The attorney, Mr. Roberts, was sick but sent another lawyer to excuse him. The judge moved the court to April 19, 2011 to accommodate the situation. I took my family out of town for Spring Vacation. Coming back on April 7, my attorney called me and told me that Rialto/Lennar/Multibank/Res Cobblestone at Ivy, LLC had obtained an 'emergency hearing' for that morning and the Magistrate judge had given Rialto/Lennar/Multibank/Res Cobblestone at Ivy, LLC a writ for us to leave our house-

we were to be immediately dispossessed from our home. We had no opportunity to present ourselves in court.

The next morning, my wife and I went to the court to view the court order and found that the judge, indeed, had given Rialto/Lennar/Multibank/Res Cobblestone at Ivy, LLC an immediate eviction along with permission to collect \$ 23,000 odd dollars for rent. We left copies of documents verifying that my wife held the first mortgage with Chase, had been paying the mortgage faithfully each month for the past 14 years, had paid the taxes and insurance of the property for the past 14 years and was current for all home association fees. Then, we appealed the dispossession decision but the Magistrate judge denied the appeal. Once again, in our understanding, our civil/judicial rights had been violated. As of this date, Rialto/Lennar/Multibank/Res Cobblestone at Ivy, LLC has not satisfied the mortgage. My wife had been paying the mortgage each month for the past 14 years plus taxes and insurance. We had to move over the week-end of April 8, 2011. Many damages occurred - things were lost and the move was very expensive. Now, the mortgage company continues to call us to pay the mortgage even though we have been kicked out of the house.

Not only did Rialto/Lennar/Multibank/Res Cobblestone at Ivy, LLC obtain an immediate dispossession for us to leave our home, but they also slandered me personally by presenting to the Magistrate Court a document (Exhibit A) in which they alleged that I was having an affair. Apparently, the private investigator that they had hired to follow me around town and to 'investigate' me identified my wife as my mistress and identified her with a totally different name (Nancy).

-----5. The article in the San Francisco Public Press dated July 6, 2010 addresses this issue in great detail and is a fine summary of the practices in which Lennar Homes engages on a regular basis and throughout the United States, apparently.

-----6. In Lennar's most recent quarterly earnings report (3/29/11), they touted \$27 million dollars in earnings - **\$11 million dollars of which came from its Rialto subsidiary** – and approximately \$35 million dollars from one litigation settlement in California. In fact, without its Rialto subsidiary and another 1 time gain from litigation, Lennar would have reported a loss for the first quarter of 2011. Again, though not illegal, it appears that this \$3 billion dollar homebuilding company has shifted its investments and focus towards its apparently predatory Rialto subsidiary and away from its job creating and value – adding homebuilding operations. In other words, it appears that they made more by suing people than they did by building homes.

In conclusion, I hope that those who may read this recount are sufficiently appalled by what is happening in this country under the guise of 'doing business'. Our economy is built on small businesses and the practices of Rialto/Lennar and their counterparts appear to be systematically dismantling small businesses across the country. As stated, any and/or all exhibits are available upon request. Please feel free to contact me as follows: Cell phone: 404-597-5251, 'e' mail: mokhemarfamily@yahoo.com
Respectfully submitted,

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Addition below:

Testimony to the House Financial Services Committee, August 16 hearing in Newnan, Georgia. Part two.

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Date: August 31, 2011

Re: Additional updates pertaining to Lennar/Rialto/Multibank/RES Cobblestone at Ivy:

-----1. A loan was held, originating out of the Community Bank of Loganville, for the Ivy Road property, located at 3665/3683 Ivy Road in Buckhead, GA. for \$2.7 million dollars. Lennar/Rialto/Multibank/RES Cobblestone at Ivy foreclosed on the property on August 3, 2010. They sold the property to themselves for \$1.1 million dollars and then turned around and sued me on July 27, 2011 for a deficiency totaling \$3.5 million dollars.

-----2. A loan was held, originating out of the Community Bank of Loganville, for the Wellington Lake home, located at 2128 Adel Drive in Loganville, GA. for \$1.6 or \$1,630,755.00 dollars. A group of investors under my direction offered the FDIC \$900,000.00 to buy the loan. Following an exchange of many 'e' mails, FDIC finally acknowledged that they had sold the property to Lennar/Rialto /Multibank/ RES Cobblestone at Ivy. On August 3, 2010, Lennar/Rialto/Multibank/RES Cobblestone at Ivy foreclosed on the property. It is my understanding that Lennar/Rialto/Multibank/RES Cobblestone at Ivy sold the property for \$515,000.00.

-----3. After acquiring my properties from the FDIC and foreclosing on them on August 3, 2010, I received notices regarding tax sales for the property located at Blake Road. This property was sold on the courthouse steps in July of 2011 for \$38,000.00.

-----4. On August 30, 2011, I called Mr. Kevin L. Ward, an attorney representing Lennar/Rialto/Multibank/RES Cobblestone at Ivy about the \$23,000 plus judgment that they had obtained against my wife and I for alleged rent and feeds owed from our personal home that had been seized by the group on April 7, 2011. I explained to Mr. Ward that I was in disagreement with the judgment because, during the time that we had resided in the home, we had maintained all monetary obligations for the first mortgage, taxes and insurances which had totaled approximately \$1,700.00 dollars monthly. Furthermore, I explained that the judge had awarded Lennar/Rialto/Multibank/RES Cobblestone at Ivy approximately \$3,000.00 dollars monthly for additional rent. As an aside, prior attempts to rent the home in 2009 and 2010, before the foreclosure, had failed at even \$2,000.00 monthly.

At this point, Mr. Ward initiated a 3 way phone conference call with Mr. Greg Ashley joining our conversation. Mr. Ward then demanded that I complete a financial statement before he would entertain any negotiations pertaining to my settlement. I refused to give him a financial statement because: a) I had submitted to the FDIC's demand for submitting a financial statement, including a requested copy of my passport, prior to negotiating and FDIC never negotiated after receiving this information, and b) Lennar/Rialto/Multibank had demanded that I sign the 'Green Letter' prior to negotiating and they never negotiated after receiving this information.

Because I had a bad connection in my cell phone, I asked Mr. Ward to call me on my land line. Mr. Ashley then stated: "So you can tape our conversation, just as you have taped every conversation that we have had in the past?" Mr. Ward then continued with his demands, and he now told me that I had to drop 'everything' (lawsuits) because they could not negotiate with me while I had a dagger in their back. I responded that they had too many daggers in my back. Mr. Ward then repeated a statement that he had made when we were in the Magistrate court of Forsyth County on March 29, 2011 which consisted of: a) the fact that 'they' (Lennar/Rialto/Multibank/RES Cobblestone at Ivy)

are billionaires, and the impressions that: a) I would not be able to ‘go anywhere with them’, and, b) the sooner that I understood this, I would then capitulate and sign whatever was demanded of me.

Furthermore, Mr. Ashley stated that they (Lennar/Rialto/Multibank/RES Cobblestone at Ivy) had obtained copies of the documents that I had written and submitted to the House Financial Services Committee and the FDIC on August 16, 2011 and that, although the documents were well written, the documents would do me no good, giving me the impression that I was going to be punished by Lennar/Rialto/Multibank/RES Cobblestone at Ivy for having submitted these documents. I now understand why so many bankers did not come forth as witnesses at the hearing on August 16, 2011. Additionally, I want to reiterate that Lennar/Rialto/Multibank/RES Cobblestone at Ivy is operating with non-recourse, taxpayer dollars to the tune of \$627 million dollars.

Respectfully submitted in truth,

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January 27, 2011

Sheila Bair
Chairman
FDIC
550 17th Street NW
Washington, DC 20429

Dear Ms. Bair:

For 22 years I have been ranked as one of the top five developers in the Portland/Vancouver area and have developed over 5 million square feet of industrial parks, office buildings and shopping centers. My projects have created thousands of jobs not only in construction but also engineering, planning and finance. I currently teach in the School of Urban Planning at Portland State and serve on the board of the PSU Center for Real Estate Studies.

I am writing to provide insight into the joint venture the FDIC entered into with Lennar and more specifically, Lennar’s subsidiary, Rialto Capital Management. It is my understanding that the FDIC’s goal for this partnership is to maximize the FDIC return as efficiently as possible.

Rialto’s goals are clearly not aligned with these objectives. The consequences of their activities in just my local community are costing the FDIC millions and are destroying several of our regions most productive companies and individuals.

In January 2009 the FDIC placed into Receivership the Bank of Clark County (“BOCC”). BOCC had provided an \$8,160,000 construction loan for the renovation of a historic, seven-story, 35,000 sq.ft. office building located in Portland, Oregon. At the time of the

failure the loan was performing and we have always had sufficient funds to service debt on the building.

My firm and three other owner/users have invested over \$2.2 million in the building. The renovation generated historic tax credits that were sold through a partnership with The National Trust for Historic Preservation. This provided an additional \$2.4 million that is contingent upon procuring a permanent loan – a loan that was originally committed to by BOCC. After the failure the FDIC stopped funding the construction loan and notified us to look for alternative financing.

Over the next several months with FDIC cooperation and support, we completed the construction, paid all the contractors with internal resources, and eventually reached agreement in December 2010 to purchase the note for \$5.6 million – a value 10% greater than the asset value determined by recent FDIC appraisals. We had located enough financing that combined with the tax credits funds we could close within the 120-approval window.

Shortly after we reached agreement the FDIC entered into the Lennar partnership and informed us we needed to close the deal with Rialto. April was the earliest they would meet.. At our expense we traveled to New York and provided a complete financial picture of the asset and our personal financials to senior Rialto management.

Rialto forwarded a “Pre-Negotiation” agreement that required us to waive all our rights as a condition to meeting. Although we thought we had adequately modified this agreement, Rialto has used it aggressively against us in our Chapter 11 case.

Our tax credit structure is extremely complicated and any change in ownership will trigger recapture and loss of the \$2.4 million cash that is ready to fund subject to a permanent loan. It was clear that \$5.6 million was our total resources available to satisfy the debt and was approximately \$2 million higher than the value they would realize through foreclosure. Our financial statements also clearly demonstrated that our guarantees have nominal value.

Rialto would not honor the FDIC agreement. “Send us the income based upon a budget we will approve, we won’t move to appoint a receiver and we’ll work toward a resolution. Our philosophy is to obtain full value for the loan” Steve Engle, a senior Rialto executive said.

For the next several months we complied with their requests but at the end of July - in spite of the commitment they made in April and without warning – Rialto moved to foreclose and simultaneously sued us under the guarantees. They showed neither understanding nor concern with the loss of the tax credit funds. In order to protect the tax credits we had to immediately put the building into Chapter 11.

We have been in an extremely expensive, pointless and totally unnecessary legal battle since August. Rather than these funds going to the FDIC they are going to attorneys. These legal costs and process have significantly sapped our resources, ruined our credit, complicated our ability to obtain financing, and further reduced the building’s value.

Rialto obtained two broker opinions of value that estimated the building would sell for no more than \$3.5 million.

Other appraisals have been obtained on both sides but with widely divergent assumptions that are irrelevant if Rialto forecloses. Furthermore, Rialto will incur hundreds of thousands of dollars in future tenant improvement costs and leasing commissions. In order to keep the existing tenant/owners they will need to reduce the rents up to 50% to equal rents in similar nearby buildings. Rialto has shown neither interest in the property's market value nor the consequences of destroying the unique tax credit structure.

We have provided personal financials and offered to be thoroughly investigated. Rialto knows that for all practical purposes we are insolvent but that hasn't stopped them from spending significant sums suing us under the guarantees. The only result of this action will be to force us to file Chapter 7. Rialto has nothing to gain by this effort.

Rialto has shown no interest in understanding the value of the guarantees. We believe these actions are designed to do nothing more than pressure us to raise more money to purchase the note. If Rialto took the time to understand our situation and the local market dynamics it would be clear we have offered everything we have to resolve the situation.

We have never received a loan statement or explanation of any kind of how our loan has grown from \$8.16 million to over \$9 million. Notwithstanding that we have been sending them approximately \$31,000/month (\$2,000/month more than paid monthly under the construction loan). Rialto does not communicate.

There is no real dialogue with Rialto. They have never offered suggestions or a reasonable compromise. The bankruptcy judge has ordered two settlement conferences. At the end of the first conference the judge quit and said to us "You will never get a deal done with them. Scorched earth to them is the Alusian Plains."

In December Rialto offered to settle for \$5 million and we accepted. They would not postpone the legal pressure nor give us a reasonable time to close. At the urging of the Bankruptcy judge last week we again accepted their December offer.

Rialto countered with an offer significantly higher and required us to close within 11 days. It was an offer they knew we couldn't perform. Rialto does not negotiate or deal in good faith to reach an optimal compromise and one that achieves the best financial outcome for the FDIC.

They have used predatory strategies to maximize the debt owed and employed the most aggressive legal pressure possible. They have said that the financial partnership with the FDIC allows them to take more time and patience with unlimited financial resources so that if necessary they will "never lose" in the courts and we can't win. Rialto threatened us with financial ruin.

The only result of this effort will be the ruin of my company and significant losses inflicted on three additional small business that have invested a combined \$1.2 million in the project. The City of Portland will lose the eventual repayment of a \$700,000 seismic loan and I will lose my ability to develop, create jobs and continue to be an integral part of the Portland business community. Rialto has no concern for the aftermath or consequences of their actions on the local community.

Rialto has spent hundreds of thousands of dollars in legal fees. If they are successful in defeating the Chapter 11 plan they will own an asset worth \$3 million that we have offered to pay \$5 million. They will have significant ongoing litigation expenses and spend hundreds of thousands of dollars to lease the building and cure a tenant allowance default owed to a ground, floor tenant. Nothing will be gained from suing the guarantors. Rialto has, no concern to maximize the return to the FDIC.

In Summary, Lennar/Rialto is a bad partner and the FDIC needs to be aware of, the consequences of the partnership with them. We have done nothing wrong, and do not deserve to be treated in this manner. The FDIC is losing millions on this deal and Rialto has neither taken the time to understand the financial ramifications nor care about the consequences of their actions.

This is a difficult time. We want to be treated with respect and have an honest and productive effort to work out the optimal resolution to our loan and these unique circumstances. For some unknown reason Rialto has pursued a strategy and process in my local community that makes no financial sense. Yesterday, 18 companies currently in litigation with Rialto met to discuss a class action suit and what actions can be taken to inform and address how destructive their approach is to our local area.

Recently, Senator Cantwell met with several companies currently dealing with Rialto so I have copied her on this letter and spoken personally with Brad Bare on her staff. I have also been in contact with Senators Ron Wyden and Jeff Merkley. If you have any questions about this matter please contact them or if I can offer further insights or assistance of any kind please do not hesitate to call me at 503-310-9414.

With deepest respect for you, your team, and all the ongoing efforts to work through this challenging time,

Sincerely,

Bruce Wood
President
Foundation Real Estate Development

CC: Senator Maria Cantwell
Senator Ron Wyden
Senator Jeff Merkley

March 14, 2011

To: Ms. Sheila Bair, Chairman of the Federal Deposit Insurance Corporation (FDIC)

Fr: John Fazzolari, Fazzolari Custom Homes & Renovations

Dear Ms. Bair

In January of 2010 I wrote a letter to my Senator Patty Murray, asking for help in a matter concerning the closing of the Bank of Clark County in Vancouver, Washington, and what I thought was very poor management of the process by the FDIC. I had three loans with the bank, and none of my loans were in default. I have attached a copy of that letter, as well as the response by the FDIC.

Unfortunately for me and my community, as well as I am sure countless others around the country, my predictions of what the outcome of the way your agency would handle the loans we had with the Bank of Clark County would prove extremely accurate. The steps your agency has taken have been extremely damaging to our region financially.

You have shut down projects, eliminated jobs, lowered property values beyond what the already poor economy was doing, and stolen years and years of personal sacrifice, hard work, and small business investment...and turned it ALL over to a large well connected east coast corporation interested only in maximizing their financial gain from the "paper" they now own.

Ms. Bair – the FDIC and the Federal Government should be ASHAMED of what has been done to these small communities and the people in it. Remember – we had not defaulted on our loans – yet the FDIC prevented us from moving forward on our projects and essentially stopped our business in its tracks.

And all this happened because a bank in the community we live in was over leveraged. The bankers have moved on, but the small business people and individuals of this community are still here trying to put our community back together, while at the same time the well-connected large financial corporation that is benefiting from this is still taking what they can – sound familiar? See financial bailouts 2008.

Since I wrote my letter and received your agencies response the loans have been handed over to RIALTO Corporation, a creation of Lennar Homes of Florida. Is RIALTO that well-connected east coast Corporation I referred to in my letter in January 2010?

If upping political contributions in 2008 to 2009 from around \$200,000 to just over \$1.2 million (500% increase) is being well connected, if being able to work out a deal with the FDIC in 2010 to hand RIALTO \$3.05B in loans to manage and give them 40% ownership in those loans for a \$200M investment, and if getting a \$700M interest free loan from the FDIC is being well connected – then I would say yes, that is them.

What is even more disturbing is that Lennar Corporation has a financial arm that they use to help their customers finance the homes they buy from Lennar. That financial arm is one of the many companies that pushed the risky mortgage loans on a large scale in the late 90's and early 2000's – which are largely at fault for the financial and real estate crisis we have faced in this country for the past few years. And now they are being rewarded.

At one point I had hoped that working with RIALTO Corporation would provide the ability to work out some type of manageable arrangement that the FDIC through all its regulation could not do. And I suppose I still hold out some hope of that. But the experience of my counterparts tells me that is highly unlikely.

Trying to work with RIALTO is difficult to say the least. First they require me to sign an agreement that is very one sided and tilts the balance of discussion all in their favor. Every single person that I have spoken to that has signed this pre-negotiation agreement has indicated that it was a mistake and that RIALTO has used it against them later.

Secondly – communication with them is very difficult. I initially contacted them in March of 2010, only for it to take 3 weeks to receive a return call. I then put together a work out plan that I submitted it to my contact at RIALTO and I received no contact in return. After calling repeatedly I found that my contact was no longer with the company, and that my loans were turned over to another person.

It took this new contact more than 3 months to contact me back, during which time I called and e-mailed repeatedly, and also had sales offers on the properties that I owned that were never reviewed. Recently I asked for their pre-negotiation contract to be modified – and they promised me it would and was – only to find out they just moved the language I wanted changed to another part of the contract. I call that deceptive. I do not trust RIALTO.

Ms. Bair – I could go on in detail of how all this is being handled by RIALTO...and if you would like me to I will. I document every call, mailing and e-mail. But that is not what this letter is about. This letter is to ask for you to do what is right. I realize your agency could not have foreseen all of what was to unfold over the past few years, and this has been a very difficult time for all of us. But the only thing worse than doing what the FDIC has already done through this process, is to say what's done is done and sweep it under the rug.

If the job of the FDIC is to ensure the highest rate of return – why would you hand over 40% of everything without first inquiring with people like me if we can get you a greater return?

Interestingly enough, I had submitted offers that your agency rejected that were for more than this. And you have not and will not maximize your return the way the FDIC, Lennar and RIALTO are handling this. I can guarantee that you will however destroy the lives of so many small business people and individuals in this community.

From Washington D.C. and the offices of Lennar Homes and RIALTO Corporations you may not see the actual damage that this has done, but I do. I see it every day from my home office and truck.

While those well-connected are having expensive lunches and catered meetings in their nice offices determining what more they can squeeze from Clark County, Washington, I work out of my home and truck, bringing my sack lunch to work that my wife packed me along with the lunch she made for my children.

I don't trade paper that has the names of people I do not know for money. I pick up a pencil, a shovel, a broom, and a paintbrush – whatever it takes. I watch first hand as people I used to employ are laid off, forced to sell or move out of their homes, and uproot their families.

But perhaps that is because of the macro approach you have used to look at this issue. We are just carnage in the war on the economy, and we are the remains of a plan gone wrong. Take a hard look at what has occurred. You are not getting the most return for your money, you are hindering the economy, and you have utilized a process that rewards those that are wealthy and well-connected and punishes those that simply took out a loan with the wrong bank.

Ms. Bair – I am asking you to stop what is happening and make it right. The time is now.

Sincerely,

John A. Fazzolari – Fazzolari Custom Homes & Renovations

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End of part one. Go to part two in a separate Word file.

