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Auctions for FDIC distressed loans

By Henny Sender in New York

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Oaktree Capital Management has won the latest auction for assets held by the Federal Deposit Insurance Corp, allowing the investment group to take on a \$1.7bn portfolio of distressed residential loans from Am Trust, an Ohio-based bank, according to people familiar with the matter.

This marks a rare instance in which Oaktree, a specialist in distressed debt, has participated in an FDIC auction of assets taken over in the [aftermath of the financial crisis](#). The FDIC has become the deal source of choice for many investment firms. Oaktree partnered with luxury home builder [Toll Brothers](#) in making its bid.

“Almost every private equity and hedge fund has raised capital for mortgages,” says Wilbur Ross, an aggressive bidder at many auctions.

The portfolio consists of about 280 loans, a relatively concentrated number compared to some previous auctions, with an average face value of about \$6m each. The FDIC offered both zero interest rate debt and took an equity stake along with the buyer.

The FDIC also announced that Colony Capital, one of the hungriest bidders for distressed bank and real estate assets, won an auction for a 40 per cent stake in \$1.85bn worth of commercial real estate loans. The deal essentially gives Colony control for only \$200m in equity capital. [Colony teamed up with Cogsville, a small minority-owned investment firm, in its bid.](#)

The FDIC received six bids for the pool which consists of thousands of property loans, most of which have a par value of less than \$1m each. The government is putting up half of the capital in seven-year zero coupon debt with no covenants or other conditions, and is also putting up a big chunk of equity in the deal. The loans came from defunct banks in California, the south-west and south-eastern US.

These latest auctions come as new owners of many of these assets are aggressively marking them up, in some cases just months after acquiring them. In its first-quarter letter

to investors, TPG marked up its investment in the mortgage loans and properties formerly owned by ST Residential, the former [Corus Bank](#). TPG invested \$225m along with a group consisting of Starwood, Perry Capital, Mr Ross and LeFrak Organization and is now valuing its investment at \$241m.