

FINSAC LIMITED

"Financial Sector Adjustment Co. Ltd."
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November 18, 2009

The Commission of Enquiry
Into the Collapse of the Financial Sector
In Jamaica in the 1990s
c/o The Jamaica Pegasus
81 Knutsford Boulevard
Kingston 5

Attention: Mr. Fernando DePeralto

Dear Sirs

**RE: Commission of Enquiry into the Collapse of the Financial Sector
in Jamaica in the 1990s**

We refer to your letter of November 6, 2009 and as requested now submit the following responses to your queries:

A Restructuring and Sale of Institutions

1. The gross amount disbursed by Finsac/FIS to failed institutions was \$94,494,849,000 as at March 31, 2002.
2. A breakdown of the amounts disbursed by Finsac/FIS to failed institutions is shown in the attached spreadsheet.
3. The gross amounts received by Finsac from sale of these institutions are as stated in the attached spreadsheet.
4. The names of some of the valuers for these assets are included in the spreadsheet mentioned above. The names of the others are not readily available.
5. The valuers are licensed to undertake valuations.
6. This information is not available from the files.
7. This information is not available from the files.

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8. This information is not available from the files.
9. This information is not available from the files.
10. Submissions concerning the sale price and negotiated sale terms are usually made to the Finsac/FIS Board for consideration/approval and thereafter to Cabinet for final approval.
11. Attorneys are engaged to prepare appropriately worded contract based on the price and terms already agreed.

B Debts and securities transferred from Institutions

12. The gross amount of debts transferred from the various institutions to Finsac was \$36,002,607,605. This excludes accrued interest for some entities, notably National Commercial Bank. Attached is a list of these amounts.
13. Some account balances were challenged by debtors, in some cases because of the high interest balances resulting from compounding over the years and purported deposits they claim were not reflected on their accounts.

14. My understanding is that there were varying kinds of challenges from debtors and thus they were addressed differently based on the circumstances. For example, compromises were agreed in some cases where there were questions about the balances transferred.
15. As a result of the challenges by some debtors, there were counter claims in some court actions brought by Finsac/FIS/Workers Bank.
16. I am not aware that a comprehensive list of these matters exists but the example in 14 above could also be applied here.
17. To validate accuracy of debtor's account balance, the Finsac officers reviewed each file and statements, where available, recalculated the account, in some cases, and discussed findings with the debtor. In some instances, contact was also made with the intervened entity.

18. I am not aware that a comprehensive list exists for the gross value of securities transferred from failed institutions but it should be noted that some debts were unsecured.
 19. The gross amount collected up to the point of sale to the Jamaican Redevelopment Foundation (JRF) was \$5,929,914,468.
 20. I am not aware that there exists a comprehensive list of the debts forgiven.
 21. Please see attached the Finsac Standard Policies for Non-Performing Loan Workouts, as contained in the Financial Statements of March 2000, which addresses the matter of loan forgiveness.
 22. I am not aware that there exists a comprehensive list of the debtors whose debts were forgiven.
 23. A comprehensive list was not maintained for all securities sold prior to the sale of the residual loan portfolio to JRF but please see attached a list with some of these sales with gross figures.
 24. The names of the valuers for these assets are not readily available and although it was not requested, attached is spreadsheet with the gross sale values for the sales.
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25. This information is not available from the files.
 26. This information is not available from the files.
 27. This information is not available from the files.
 28. This information is not available from the files.
 29. Submissions concerning the sale price and negotiated sale terms are usually made to the Finsac/FIS Board for consideration/approval and for the major assets, are thereafter submitted to Cabinet for final approval.

30. Finsac had a list of approved brokers throughout the island, from which valuers are selected to undertake valuations. Please see attached a copy of this list, along with a list of the properties sold and gross values obtained for each sale, although this information was not requested.
31. This information is not available from the files.
32. This information is not available from the files.
33. This information is not available from the files.
34. This information is not available from the files.
35. Submissions concerning the sale price and negotiated sale terms are usually made to the Finsac/FIS Board for consideration/approval and for the major assets, are thereafter submitted to Cabinet for final approval.

C. Transfer of debts and securities to JRF and Others

36. Debts were sold by Finsac to the JRF, Jamaica National Building Society, Victoria Mutual Building Society and National Investment Bank of Jamaica. Please see attached a spreadsheet with the gross amounts sold to each institution and the (initial) sale price.
37. A valuation of the non-performing loans sold to JRF was done by an American consulting firm. A valuation was not done for the other debts sold.
38. OCWEN valued the non-performing loans sold to JRF.
39. I am not aware that a comprehensive list exists for the gross value of securities pledged for debts sold to the various institutions.
40. An independent valuation was undertaken on some of the real estate securing debts sold to JRF.

November 18, 2009

41. These valuations were undertaken by valuers from the Finsac approved list of brokers but I am not aware that a comprehensive list exists of all these values obtained.
42. The initial payment of US\$23M made by JRF represents 5.87% of the principal balances of debts transferred to JRF.
43. This was one of the terms of the Agreement and a Debenture was taken by Finsac to secure the unpaid balance. (Exhibit I of the Sale and Purchase Agreement)
44. There are many reasons for entering into a sale agreement with JRF and these include:
 - a) there was a "moral hazard" factor which had to be removed, i.e. Government's continued management of the portfolio would possibly create problems in the economy because compromises would be offered to debtors to achieve payment and Finsac's operations were being financed by tax payers.
 - b) The multi-national lending agencies made the sale of the loan (and other major assets) a condition of further assistance to the Government of Jamaica.
 - c) Finsac had collected on the easier loans and it would become more difficult to achieve further sustained collections;
45. It was estimated that US\$215,000,000 would be collected from the debts sold to JRF.
46. It was estimated that the Government of Jamaica/Finsac would recover US\$90,500,000 from the debts sold to JRF.

I will endeavour to submit further responses sometime next week to complete to responses.

Yours sincerely
FINSAC Limited


Errol Campbell
General Manager

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