The Resolution Trust Corporation: Compliance Within the Objectives of the Enacting Policy Pertaining to Minority and Women Outreach

By

James M. Alden
B.A. Brown University, 1981

SUBMITTED TO THE DEPARTMENT OF ARCHITECTURE IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF SCIENCE IN REAL ESTATE DEVELOPMENT at the MASSACHUSETTS INSTITUTE OF TECHNOLOGY September 30, 1993

©James M. Alden, 1993 All Rights Reserved

The author hereby grants to M.I.T. permission to reproduce and to distribute copies of this thesis document in whole or in part.

Signature of the Author James M. Alden
Department of Architecture September 30, 1993

Certified by Sandra Lambert
Lecturer, Department of Urban Studies and Planning Thesis Advisor

Accepted by William Wheaton
Chairman, Interdisciplinary Program in Real Estate Development

MASSACHUSETTS INSTITUTE OF TECHNOLOGY

JAN 03 1994
The Resolution Trust Corporation: Compliance Within the Objectives of the 
Enacting Policy Pertaining to Minority and Women Outreach

By

James M. Alden

Submitted to the Department of Architecture on September 29, 1993 
In Partial Fulfillment of the Degree of

Master of Science in Real estate Development

ABSTRACT

In the wake of the recent economic recession, the federal government has been faced with an 
unprecedented task of cleaning up the faltering savings and loan industry in the United 
States. To protect depositors, in 1989 President Bush signed the Financial Institutions 
Reform, Recovery and Enforcement Act (FIRREA) which established the Resolution Trust 
Corporation (RTC). The RTC's mission was to hire contractors and manage the real estate 
and securities of more than 600 failed thrifts and, when necessary, liquidate their assets. Of 
the $123.8 Billion in total assets under RTC control in its first year of operation 
approximately 70% were real estate in various forms. For the management and liquidation 
of these assets the RTC will uses over $20 billion worth of private sector contracting

This thesis reviews the performance of the RTC as to the extent it is in compliance with the 
m mandates of FIRREA, the RTC Funding Act of 1991 and the RTC Refinancing, 
Restructuring and Improvement Act of 1991 with respect to the efforts to ensure the 
participation of minority and women owned businesses "to the maximum extent possible" 
and to identify the obstacles that burdened the implementation of the program. To do this, it 
compares the policy goals with the systematic and structural factors that stood in the way of 
their successful implementation. Additionally, it cites statistics for minority and women 
participation in RTC contracts both before and after 1991 when the RTC undertook an 
extensive reorganization.

This thesis concludes with a analysis of the contracting procedures employed by the RTC for 
the services most often used and identifies the factors that influence the process. In addition, 
it addresses the effectiveness of the RTC's internal performance targets and discusses 
proposed policy changes that are being reviewed currently.

Thesis Supervisor: Sandra Lambert
Title: Lecturer, Department of Urban Studies and Planning
TABLE OF CONTENTS

Chapter One: Introduction

Chapter Two: Background on the Resolution Trust Corporation (RTC)
   2.1 Reporting Hierarchy of the Resolution Trust Corporation
   2.2 The Magnitude of the Task the RTC faced with 1989
   2.3 The Rational for the MWOB Program in FIRREA
   2.4 The Unique Characteristics of Assets in the RTC Inventory

Chapter Three: Outside Contracting Used by the RTC
   3.1 Collection Procedure in Real Estate Assets Under RTC Control
   3.2 Outside Services Used for the Management and Disposition Process
   3.3 Procedures used by the RTC to Ensure Participation of MWOBs in Contracting

Chapter Four: Implementation of the Policy Pertaining to MWOB outreach
   4.1 Implementation of the Policy (Inception Through 1991)
   4.2 Implementation of the Policy (1991 to Present)

Chapter Five: Policy Enhancements To Facilitate Objectives of MWOB Program
   5.1 Organizational Enhancements
   5.2 Efforts to Include MWOBs in Legal contracts
   5.3 Efforts to Include MWOBs in Bulk Disposition Program
CHAPTER ONE

Introduction

In the wake of the recent economic recession, the federal government has been faced with the unprecedented task of cleaning up the faltering savings and loan industry in the United States. To protect depositors, in 1989 President Bush signed the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA), which operates under the joint authority of the U.S. Treasury Department and the Federal Deposit Insurance Corporation (FDIC), to reform the collapsing S&L system by raising capital requirements of thrifts and urging the purchase of weak Savings and Loan institutions (S&Ls). During the same year, the Resolution Trust Corporation (RTC) was established to hire contractors and manage the real estate and securities of more than 600 failed thrifts. The RTC's goal is to sell insolvent thrifts and, when necessary, liquidate their assets (in an efficiently and orderly fashion) to maximize the return to the federal government and ultimately to limit the burden of the bailout on the U.S. taxpayers.

The managers forming the RTC were confronted with the formidable task of creating an organization virtually overnight to deal with the management and liquidation of assets from hundreds of failed thrift institutions. Since 1989, the RTC has accomplished much more than many expected it would, yet much remains to be done prior to the legislated deadline in 1996. To date, the RTC has successfully disposed of $211.3 billion in assets from 654 failed thrifts and, with the rate of failures declining, has 85 thrifts remaining with deposits of $31.3 billion and assets of $40.6 billion.¹

¹Liquidation Alert, "Bailout Barometer" (May 24, 1993), 2
In 1990, of the $123.8 billion in total assets under RTC control, approximately $86.8 billion (or 70%) were real estate in the form of loan collateral, mortgage backed securities or real estate owned (REO). In the still uncertain economy, these non-cash assets represent the most challenging component of the RTC's disposition efforts. In its effort to dispose of these "hard to sell" assets, the RTC will use over $20 billion worth of private sector contracting. The extensive amount of legal, appraisal and property management and other work required by the process has resulted in tremendous opportunities for private sector contractors seeking real estate related work.

As with many federal agencies, the legislation that enacted the RTC set out what appears to be two conflicting objectives for the managers charged with its implementation. On the one hand, one mandate is to manage and dispose of assets of failed thrifts in the most efficient way possible to maximize return and satisfy the FDIC's massive need for liquid capital to cover the claims of insured depositors. To that end, the RTC had a strong interest in employing familiar contractors with the proven skills and experience to effectively tackle the mountain of work that lay ahead and to minimize organizational overhead and other expenses. Also, time was of the essence. Unlike the FDIC, the RTC was strictly a liquidation entity subject to a sunset provision. Current legislation terminates the RTC on December 31, 1996.

On the other hand, FIRREA outlines that RTC's objective also include a requirement that the management and disposition of RTC assets and the subsequent contracts be distributed equitably to competent firms that have traditionally had limited access to such opportunities. These firms were identified by FIRREA as Minority and Women Owned Businesses (MWOB). The rationale behind this mandate was that if the federal government
were to subsidize such a massive amount of contracting to the private sector to liquidate the RTC inventory, an effort should be made to expand business opportunities to groups of our society that historically have not participated in large government contracts.²

The purpose of this thesis is to analyze the performance of the RTC's compliance with the mandates of FIRREA, the RTC Funding Act of 1991 and the RTC Refinancing, Restructuring, and Improvement Act of 1991 with respect to its efforts to ensure the participation of minority and women owned businesses "to the maximum extent possible." It will address how the RTC intended to comply with its requirements, by reviewing the four stage program developed to register and retain MWOBs, and by looking at actual results of that process. Finally, it will look at the way in which the RTC responded to issues affecting the process so as to achieve the intended results

Methodology

This thesis analyses the factors influencing implementation of the minorities and women policy by comparing performance data collected from various sources with the policy goals outlined in the legislation. Data was collected from books, reports, articles, and interviews with people either in the federal government or from a minority or women owned contractors.

The primary data collected is for all contracting required by the RTC from reports conducted by the General Accounting Office, Washington D.C., and testimony by RTC personnel before Congress and Senate subcommittees. The analysis is based on performance figures collected before and after 1991 when the RTC undertook an extensive reorganization. For the purpose of identifying factors that influenced the change in performance before and after

²Original estimates for total contracting fees to be paid by the government were projected to be between $15 and $20 billion.
1991, several interviews were conducted with people involved in the process. These interviews present data, that is broken down for some service types and locations, and is used as illustrative examples of how policies, developed in Washington impacted, implementation in the field.
CHAPTER TWO

Background on the Resolution Trust Corporation

2.1 Reporting Hierarchy of the Resolution Trust Corporation

As stated earlier, the RTC was established to hire contractors and manage the real estate and securities of more than 600 failed thrifts. The RTC's goal is to sell insolvent thrifts and, when necessary, liquidate their assets. At the same time, FIRREA mandated that as many women and minority firms as possible be included in all contracts entered into by the agency. Nationwide, 5,500 federal employees run the RTC. Orders flow from Washington, D.C. through four regional offices and 14 subregional offices, and out to the 50 states.

FIRREA's purpose, is to reorganize the thrift industry, provide additional restrictions on the activities of S&Ls, and increase the regulatory and enforcement powers of the FDIC. The FDIC is now required to insure both S&L associations and banks in accordance with the Bank Insurance Fund, the successor to the FDIC Insurance Fund, and the Savings Association Insurance Fund. Essentially, FIRREA supplanted the Federal Home Loan Bank Board (FHLBB) and the Federal Savings and Loan Insurance Corporation (FSLIC) and created the RTC and the Office of Thrift Supervision (OTS). The OTS now has the responsibility for chartering, regulating, supervising and reviewing state and federal S&L associations.3 Essentially, this reorganization, along with stricter regulations on the S & L industry, had a profound impact on the availability of debt financing for potential investors in RTC properties and inadvertently disadvantaged firms that lacked large liquid capital resources. While the regulation helped to limit the potential for mismanagement in the

---

banking industry, it also limited the pool of potential firms able to acquire real estate that the RTC was trying to sell. Thus the RTC made the disposition of its real estate holdings more difficult.

In addition to establishing the RTC, FIRREA also established the RTC Oversight Board, which was charged with developing a strategic plan by December 31, 1989 for RTC operations. Additionally, the RTC operates under the direction of the RTC Board of Directors, which consists of the members of the FDIC Board of Directors. Section 1216(c) of FIRREA requires the RTC to "prescribe regulations to establish and oversee a minority outreach program." Under the plan, the RTC was required to develop and submit to the Board a minority and women outreach program consistent with the requirements of FIRREA. The RTC Board of Directors approved an interim program for minorities and women on January 30, 1990, to begin implementation of the FIRREA mandate and publish notice of its intent for public comment in the Federal Register. The RTC revised the interim program based on comments received during the year following publication. The Board approved the Interim Final Regulations on July 30, 1991, and published them in the Federal Register in August. In addition to the regulations, the RTC drafted a series of directives in June of that year. These directives with the regulations were the basis for how the Minority and Women Owned Business (MWOB) contracting effort was conducted until very recently. Prior to the publication of these regulations, RTC managers in the field operated on a relatively loose, easily misinterpreted set of guidelines set forth by the interim program.

Particular attention is given in this thesis to the performance of the RTC in its effort to implement the MWOB policy before and after 1991, when the Interim Final Regulations were completed and the Contract Political Policy Manual (CPPM) was prepared for RTC.

field personnel. This manual described consistent procedures by which field personnel were to ensure MWOB participation. Nineteen ninety-one was a watershed year in terms of RTC policy enhancements for the inclusion of MWOBs in outside contracting assignments and the rigor in which the RTC addressed reorganization of its operation. Prior to 1991, field personnel had no MWOB participation targets beyond the "to the maximum extent possible" language contained in FIRREA. As a result of congressional pressure that produced the RTC Refinancing, Restructuring and Improvement Act of 1991, the RTC set internal targets for 30% MWOB participation in all contracting (15% Minority and 15% women) with the exception of legal contracts (legal contracts required 20% participation). The 30% target, according to Johnnie Booker, Vice President of the Minority and Women Program in Washington, was not based on population demographics. A 25% figure was picked rather arbitrarily by congress in subcommittee as part of the drafting of the RTC Refinancing, Restructuring and Improvement Act of 1991. Ms. Booker and her staff felt that they could reasonably do 5% better so the 30% target was established. These targets and the subsequent reorganization set a new course for the RTC that substantially improved the performance of the MWOB contracting effort.

2.2 The Magnitude of the Task the RTC Faced in 1989

With the growing pace of bank failures in 1989, the RTC soon became one of the largest real estate owners in the world. In 1989 troubled financial institutions were failing at such a rate that new real estate was coming into RTC conservatorship faster than what could be reasonably sold under ideal conditions. Even the RTC's harshest critics admitted that the task the RTC inherited was nearly impossible, given the enormity of the portfolio, the market

---

5 Johnnie Booker, Interview with the Author, (September 26, 1993).

6 Judy Wood of the RTC Valley Forge Sales Center, Pennsylvania, Interview with author, (September 21, 1993).
condition, and the time frame the RTC was expected to work within. Several interrelated factors led to the magnitude of job laid before the RTC in 1989.

Overview of the Real Estate Market Downturn

In a broad sense, the source of the real estate market problems was and still is oversupply. Between 1980 and 1990, real estate equity in the United States grew from $2.26 trillion to more than $4 trillion. Several factors contributed to this rapid growth. First was the passage of the Garn St. Germain Depository Institutions Act of 1982. The act deregulated the banking industry, allowing the S&Ls to enter into areas such as joint ventures in land speculation projects, commercial construction loans, and participating mortgages. Before this act, S&Ls had been limited to residential mortgage lending. The new business offered higher yield but was unfamiliar and carried with it much higher credit risk.

The second factor, the Economic Recovery Act of 1981, accelerated depreciation schedules, increased the availability of certain tax credits to investors and lowered the effective minimum capital gains tax, thus increasing the attractiveness of real estate investments. As a result S&Ls increased their loans for real estate by $200 billion and commercial banks increased their percentage of loans to total assets from 20% in 1979 to 28% in 1989. Finally, the Tax Reform Act of 1986 (TRA '86) limited the tax shelters that had been available for real estate investments and eliminated capital gains exclusions. This severely impaired several of the real estate investments as tax shelter popular in the 1980s by

---

7 Real estate capital is defined as pension fund debt and equity, financial institution debt and equity, equity invested by foreign investors, and the aggregate of investment by individuals and institutions in real estate securities. It does not include investments by individuals or debt from source other that ones commonly used for real estate acquisitions. Source: David Clinton Fisch, A Strategy for Liquidating Land Assets From The RTC Portfolio, MIT Center for Real Estate, (July 31, 1992), 6.


10 Op. Cit, David Clinton Fisch, 11
virtually eliminating their effective yields. While TRA '86 reduced the flow of funds from syndicators. Foreign investor and pension fund filled the void, eager to take advantage of rapidly appreciating real estate values. These factors along with unsound investment practices by banks and developers led to the vast oversupply that the RTC faced in 1989. The RTC was charged with selling $86.6 billion in real estate assets into a market saturated in nearly every type of real estate with the exception of single family residential.

New regulations Affecting Debt Financing for Acquisitions and New Projects

New legislation in 1989 resulting from the S&L crisis, as well as strict new underwriting procedures imposed by regulators, placed new restrictions on the lending activities of S&Ls, particularly for real estate. Many of the new regulations affecting the savings and loan industry came out of the 1989 FIRREA legislation. FIRREA virtually eliminated thrift institutions as well as commercial banks from acquisition, development and construction (ADC) lending for multifamily housing because these loans were considered high risk. Among the key provisions contained in FIRREA that dramatically affected disposition of current projects and new construction were the following:

1. Thrifts were required to maintain a minimum ratio of capital to risk-adjusted assets of 6.4% until 1992 when the requirement went up to 8%. During 1991 and 1992 many thrifts were barely in compliance with the original 3% rule. ADC loans are assigned 100 percent risk weighting and must be backed dollar for dollar unlike other safer assets like Treasuries and Government National Mortgage Association securities which are assigned zero percent

---


risk weighting and can be held with no capital backing.\textsuperscript{13} This meant that many thrift lenders could not book ADC loans until they met the 1992 capital requirements.

2. Thrifts can now lend only 15\% of unimpaired capital to a single borrower. Fewer than 40 thrift institutions in the United States in 1991 had the requisite capital under the new rules to make a loan of $20,000 to a single borrower. The Office of Thrift Supervision did agree that some thrifts could lend up to 60\% of assets to a single borrower, to be phased down to 15\% by the end of 1991, but only those thrifts that met the 1995 capitalization standard could make such loans.\textsuperscript{14} Most real estate analysts view this regulation as having the greatest impact on residential construction.

3. Thrifts institutions must now have 70\% of their portfolios in housing-related assets (up from 60\%). Only low-cost, one-to-four-family properties qualify in meeting this portfolio test. Thus, the portion of a lender's portfolio that can be devoted to ADC lending has been further reduced.\textsuperscript{15}

4. Thrifts must maintain a loan-to-value ratio of no more than 70\% on ADC loans. The immediate impact of this ratio is to greatly increase the amount of equity capital a developer must typically have to complete a project. Moreover, the 70\% is the maximum allowed. Many thrifts will insist on a lower ratio. This ruling, coupled with the collapse of the syndication market in 1986 (a key source of equity funds for development), will mean less money for development.\textsuperscript{16}

\textsuperscript{13}Testimony of Lamar Kelley, Manager of the RTC Asset and Real Estate Management Division, Statement before the Committee on Banking, Housing and Urban Affairs (September 13, 1990).

\textsuperscript{14}Ibid, Andrew Jubelt, 61

\textsuperscript{15}Ibid, Andrew Jubelt, 60-62

\textsuperscript{16}Ibid, Andrew Jubelt, 60
5. Direct equity investment in real estate by thrifts are prohibited by FIRREA. One hundred percent equity investments as well as deals that are structured as an ADC loan with a low initial rate and profit participation at sell-out are prohibited. This is particularly damaging to developers, as low initial rates when projects are not yet producing revenue were key to economic viability.17

As the S&L industry was the primary source of debt financing for real estate investments (40% of ADC loans according to the National Association of Home Builders),18 the RTC was selling real estate into a market were virtually no debt was available. The pool of potential acquirers was limited to institutions with large liquid capital reserves, many of which were risk adverse and unwilling to allocate significant sums into fixed-rate investments in an uncertain economy.

2.3 The Rationale for the MWOB Program in FIRREA

The underlying rationale for the inclusion of the MWOB outreach policy in the 1989 legislation was that policy makers learned early on that the amount of private sector contracting necessary to facilitate the massive task at hand would likely produce fees subsidized by the government in excess of $20 billion. In early debates related to the drafting of FIRREA the issue was that if the taxpayer's money was being used to finance these contract every effort should be made to ensure that the contracts be awarded through a process of open bidding with absolute vigilance against favoritism or manipulation of any kind.19 The minority caucus made strong arguments that due to certain issues related to

17Ibid, Andrew Jubelt, 60-64
18Ibid, Andrew Jubelt, 61
19L. William Seidman, Statement before the Committee on Banking, Housing, and Urban Affairs, (September 13, 1990).
access minority firms have had to government contracts, historically, and the characteristics of the contracts to be awarded by the RTC, a special effort would need to be made to ensure that they are included fairly in the process. Minority advocates recommended initially that the RTC should expand business opportunity for minorities through the inclusion of participation quotas in the legislation. There was concern, however, that quotas would inadvertently burden the RTC in its disposition. A better solution would be to give RTC managers the flexibility to implement the minority outreach policy at their discretion to ensure that the primary objective of rapid assets disposition was carried out efficiently. A compromise was eventually reached to insert the language "to the maximum extent possible"\textsuperscript{20}

2.4 The Unique Characteristics of Real Estate Assets in the RTC Inventory

The assets controlled by the RTC are in many forms. They break down into the following three broad categories:

- **Cash and Securities:** These include cash, United States Treasuries, mortgage backed and corporate securities (including non-investment grade securities)

- **Current Status Loans:** These include all loan assets that are current or not more than two payments in arrears

- **Hard to Sell Assets:** These include non-performing loans (more than two payments in arrears), real-estate-owned (REO), investment in subsidiaries, and most other assets.

\textsuperscript{20}Serman Ragland, President of Tradewinds Realty Advisors, Interview with author, (July 9, 1993)
As of January 1992, the RTC portfolio consisted of approximately 13% cash and securities, 39% current status loans, and 47% hard-to-sell-assets.\textsuperscript{21} Hard-to-sell-assets, because of their illiquid nature, are the most challenging aspect of the RTC disposition program. The approximately $61 billion of hard-to-sell-assets are comprised of non-performing loans on real estate, REO, and investments in subsidiaries, of which the majority are development companies and other entities that hold REO themselves.

### RTC Asset Composition

#### As of 7/31/90

($) in billions

<table>
<thead>
<tr>
<th></th>
<th>Conservatorship</th>
<th>Receivership</th>
<th>Total</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mortgages</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perf 1-4 Fam</td>
<td>36.0</td>
<td>7.4</td>
<td>43.4</td>
<td>56%</td>
</tr>
<tr>
<td>Non-Perf 1-4 Fam</td>
<td>1.1</td>
<td>0.8</td>
<td>1.9</td>
<td>2%</td>
</tr>
<tr>
<td>Perf Const &amp; Land</td>
<td>3.1</td>
<td>1.1</td>
<td>4.2</td>
<td>5%</td>
</tr>
<tr>
<td>Non-Perf Const &amp; Land</td>
<td>4.1</td>
<td>2.0</td>
<td>6.1</td>
<td>8%</td>
</tr>
<tr>
<td>Perf Other Mtgs</td>
<td>13.0</td>
<td>4.0</td>
<td>17.0</td>
<td>22%</td>
</tr>
<tr>
<td>Non-Perf Other Mtgs</td>
<td>3.1</td>
<td>2.3</td>
<td>5.4</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Total Mortgages</strong></td>
<td>60.4</td>
<td>17.6</td>
<td>78.0</td>
<td>48%</td>
</tr>
<tr>
<td><strong>Other Loans</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perf Other Loans</td>
<td>8.8</td>
<td>2.3</td>
<td>11.1</td>
<td>78%</td>
</tr>
<tr>
<td>Non-Perf Other Loans</td>
<td>1.5</td>
<td>1.6</td>
<td>3.1</td>
<td>22%</td>
</tr>
<tr>
<td><strong>Total Other Loans</strong></td>
<td>10.3</td>
<td>3.9</td>
<td>14.2</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Securities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash &amp; Invest Sec</td>
<td>17.9</td>
<td>3.5</td>
<td>21.4</td>
<td>53%</td>
</tr>
<tr>
<td>Mtg Backed &amp; Other Sec</td>
<td>12.3</td>
<td>2.7</td>
<td>15.0</td>
<td>37%</td>
</tr>
<tr>
<td>Junk Bonds</td>
<td>2.7</td>
<td>1.0</td>
<td>3.7</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Total Securities</strong></td>
<td>32.9</td>
<td>7.2</td>
<td>40.1</td>
<td>24%</td>
</tr>
<tr>
<td><strong>Owned Assets (REO)</strong></td>
<td>11.4</td>
<td>6.3</td>
<td>17.7</td>
<td>11%</td>
</tr>
<tr>
<td><strong>Other Assets</strong></td>
<td>8.8</td>
<td>5.2</td>
<td>14.0</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>$123.8</td>
<td>$40.2</td>
<td>$164.0</td>
<td>100.00%</td>
</tr>
</tbody>
</table>
The real estate assets addressed in this thesis include mortgage loan collateral, mortgage-backed securities, REO and a large percentage of the junk bond portfolio (approximately $86.6 billion). These assets represent many diverse properties, including single-family and multifamily residential assets, office buildings, retail properties, industrial/warehouse properties, hotels and motels, and thousands of specialty properties and special purpose facilities. Many real estate assets are readily adaptable for alternative or interim uses. Land assets, which account for about $8 billion in real estate and $14 billion in loans, represent everything from raw land to planned unit developments to office parks to commercial and industrial developments.

RTC real estate is located across the country, with the bulk of the property located in the sunbelt, particularly Texas. There are also increasing amounts more recently on the East Coast and in California. Other states have significant concentrations of assets: Florida, Louisiana, Oklahoma, Arizona, and Colorado.

The real estate in the RTC inventory represents a unique challenge to the contractors charged with its management and disposition because in most cases it already has serious financial problems or fundamentally poor strategic planning. Compounding these problems are the lingering economic recession and the financial market paralysis due to the strict new lending regulations, particularly for real estate. Also, with most markets across the nation overbuilt, rents and property values have remained stagnant.

---

The arguments presented in this thesis are limited to the contracting related to real estate assets. Performance statistics presented in chapter four, however, include all assets, of which real estate is the majority share.
Disposition Expectations in 1989 for Real Estate Assets and the Underlying Problems

The original RTC asset sale guidelines state that it expected to sell all of its performing mortgage loans for single family homes within one year from the time that the RTC acquired title to those loans. It expected to sell all foreclosed single family houses within 18 months after it took title to those houses. On the other hand, the RTC expected that it would take up to five years to dispose of its performing commercial real estate loans. Data collected from the RTC in the first year of operation showed that collection problems were associated primarily with commercial real estate and some concluded and development loans, but generally not with loans to individuals secured by their homes. On January 31, 1990, FDIC Chairman, L. William Seidman testified before the Committee on Banking, Housing and Urban Affairs that only $3.2 Billion of the $31.2 billion in losses suffered by the RTC in its collection efforts could be traced to residential mortgage loans. Although there were a great number of home loans in the portfolios of failed thrifts, these home loans retained a higher percentage of book value and sold more quickly than other loans. Furthermore, each of the 10 thrifts in the RTC's portfolio that reported the largest losses in 1989 had a low percentage in single family loans (29% on the Average).

The expected disposition time frame for the various types of real estate in the RTC portfolio is outlined in the following diagram:

---

\[^{23}\text{Asset disposition is often referred to as "cash collection" at the RTC because that was essentially the ultimate goal of the disposition process.}\]
## RTC Asset Sale Guidelines in 1989

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Securities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Grade</td>
<td>50%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Noninvestment Grade</td>
<td>Under Review</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perf. 1-4 Family Mortgages &amp; Consumer Loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perf. Other Mtg. &amp; Commercial Loans</td>
<td>20%</td>
<td>40%</td>
<td>60%</td>
<td>80%</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential REO</td>
<td>25%</td>
<td>75%</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial REO</td>
<td>40%</td>
<td>90%</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Const. &amp; Land REO</td>
<td>10%</td>
<td>25%</td>
<td>40%</td>
<td>55%</td>
<td>70%</td>
<td>85%</td>
<td>100%</td>
</tr>
<tr>
<td>Delinquent Loans</td>
<td>20%</td>
<td>45%</td>
<td>70%</td>
<td>80%</td>
<td>90%</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>
The time frames for the sale of assets are dependent upon the type of asset as well as the quality of the portfolio. These time frames were developed by specialists in the RTC's Asset Disposition and Research areas. The time frames are based in part upon the experience and observation of disposition activity by the FDIC's Division of Liquidation and the former Federal Savings and Loan Insurance Corporation.

In the first year of operation, RTC managers soon learned that financial institutions with the ability to acquire these assets were reluctant to be locked into long-term, fixed-rate assets due to uncertainties in the economy. The reality was that the RTC often had difficulty transferring even its safest assets (performing single family mortgage loans) and potential acquirers had almost no interest in purchasing real estate owned or commercial real estate loans in conjunction with a resolution. The RTC's managers were faced with the dilemma of either holding these assets with the hope that they could be managed more efficiently or repositioned to be more attractive, or sell them at "fire sale" prices. In either scenario, the net proceeds did not produce an acceptable return in most cases. For example, the RTC found that foreclosing a commercial mortgage took one to three years, which was prohibitive from a litigation and a cost standpoint.24

The assets in receivership presented the greatest challenge. As of July 31, 1990, there were approximately $37 billion in non-cash assets in receivership in the RTC portfolio.25 At the time, with the growing number of bank failures, the pace of new assets taken into the RTC inventory in conservatorship exceeded the pace of what could be responsibly sold. Compounding the problem was the fact that 70% of the RTC's real estate was in the state of

24 Testimony of Lamar Kelley, Manager of the RTC Asset and Real Estate Management Division, Statement before the Committee on Banking, Housing and Urban Affairs (September 13, 1990).

Texas. Although many of the failed financial institutions were located in other parts of the country, several of their loans were collateralized by assets in Texas. Nearly half of the real estate in Texas was raw land. Land values in Texas were among the weakest in the country at the time. Appraisals received by the RTC projected a 7 to 10 year absorption period for marketing the land the RTC held in Texas. The option of holding the land off the market for a period of time to allow prices to improve was problematic. It was felt that this action would have a destabilizing influence on the local real estate market. Local developers would not know when the "overhang" property would hit the market, so supply-based pricing would be inconsistent. Also, many of the sites in the inventory had several million dollars of infrastructure and development on them already, which made land banking or repositioning a more difficult and costly solution.\textsuperscript{26}

\textsuperscript{26}Ibid, Lamar Kelley.
CHAPTER THREE

Outside Contracting Used by the RTC

The amount of outside contracting required for the S&L realignment process and the subsequent disposal of the assets of failed thrifts has been viewed by many as a bonanza for private sector contractors in an otherwise weak market for real estate related services. It is projected that by 1995 the RTC alone will have spent well over $20 billion on contracting services. The services in which contracts are awarded fall into 26 service types. Of the 26, the service contracts most commonly awarded are in the areas of accounting, appraisal, real estate brokerage, consulting, legal, insurance and property maintenance and management.\textsuperscript{27} Disposition of certain, more difficult assets require more specialized contractors. Often, the more specialized fields have few MWOB firms that qualify for RTC work, which makes meeting performance targets for those service types difficult. Other issues influencing MWOB involvement are contract size, technical complexity, and location.\textsuperscript{28}

3.1 Collection Procedure for Real Estate Assets Under RTC Control

Assets typically come under RTC control through conservatorship. As soon as an institution is placed into the RTC's conservatorship program, the RTC's managing agent and asset specialist perform an analysis of the institution's financial condition to position readily marketable assets for immediate sale. The analysis is quickly followed by a vigorous marketing effort. These marketable assets of the institution are examined, divided into groups, and prepared for sale. Since most of the institutions under RTC control have grown

\textsuperscript{27}Op.Cit, Frank McCoy, 267-270

\textsuperscript{28}Leroy Brown of the RTC, Valley Forge Sales Center, Pennsylvania, Interview with author (September 21, 1993).
beyond their normal core deposit base, easily marketable assets are sold to facilitate the shrinking of the institution to its core, to relieve liquidity pressures, and to reduce high cost liabilities within the institution. When marketing the assets, the RTC managing agent assigned to the region employs a competitive bidding process to maximize sales proceeds and assure fairness among potential buyers. Securitizing 1-4 family mortgages is another option that the managing agent can explore. Advice on securitization is available through the Regional Offices and the Division of Finance and Administration. 29

Asset Sales During Resolution

The RTC's general policy for handling of an institution's assets in resolution is to encourage the passing of assets to acquirers. Acquirers typically find themselves dealing directly with the institution in resolution. This has been difficult to accomplish because, due to uncertainties in the economy, most acquirers are reluctant to purchase REO or commercial real estate loans as part of the thrift sale. 30

Asset Sales in Receivership

Sale of assets in receivership has been the most challenging part of the RTC's disposition efforts. Therefore, the RTC has had to rely on bulk disposition programs to accelerate the sale of these assets. Bulk sales include large portfolios of real estate and non-performing loans. The RTC will offer seller financing in certain instances to facilitate the sale and will share in the collection proceeds. 31 While each portfolio offering is generally quite large, they are often divided into pools based on geographic location or asset type. This gives investors greater flexibility to bid on only those assets that meet their specific

interests. Investors can bid on the entire portfolio, one or more pools, or a sub-pool. Although the RTC offers some flexibility, investors are normally not allowed to pick the best assets out of the pool. As the RTC's ultimate goal is to dispose of the entire portfolio, the general strategy for the composition of bulk sale packages is to mix "bad assets" with good assets. Throughout the process, the RTC must seek approval from both the Oversight Board and Congress.32

RTC sellers financing rules require minimum down payment of 15% to 25% and a $1 billion cap on the amount of the seller-financed loan held by the RTC at any one time. When necessary, enacting is used sparingly to complete transactions that maximize the net return to the RTC. In addition, notes must be salable in the secondary market.

Auctions are also a component of the RTC's bulk disposition strategy. Both open cry and sealed bid auctions have been used with mixed results. While the RTC has successfully disposed of large amounts of real estate, the effective returns on the sales have in many instances have been far below expectation after subtracting the interim carrying and disposal costs. Loans are generally sold in pools, while real estate assets are sold individually. Most auctions are held at the local or regional level, but often advertised nationally.33

Securitization of one to four family mortgages has also been used with success. Recently with the help of outside specialists, the RTC has explored securitizing commercial loans and other more difficult assets. The RTC began its public securitization program in June 1991 as part of the bulk sale program to sell large pools of hard-to-sell assets such as

32Henry Lorber, Director of SAMDA Program Management, RTC Atlanta Office, Interview with author, (July 19, 1993)

multifamily and commercial REO, and performing and non-performing mortgages. The RTC's mortgage-backed securities (MBS), which are known to traders as "Ritzy-Maes," are backed by collateral from single family, multifamily, commercial mortgages and manufactured housing.\textsuperscript{34} As Ritzy-Maes are not backed by the full faith and credit of the U.S. government, like issues by Fannie Mae and Freddie Mac, the RTC had to obtain AA or AAA ratings through a combination of credit enhancements and cash reserves so that Ritzy-Maes could be acquired by institutional investors.\textsuperscript{35}

3.2 Outside Services Used in the Management and Disposition Process

Under the interim plan submitted to the RTC Board of Directors on January 31, 1990, the goal of the MWOB outreach program was to encompass all contracting activities with the exception of legal services engaged in by the RTC. These services typically included brokerage, asset management, accounting, appraisal, property management, information systems, property maintenance, surveying, general contracting and subcontracting, architectural/engineering consulting, construction consulting, property tax consulting, title work, financial investigation services, marketing, signage and printing services.

SAMDA Contractors

The RTC soon became one of the largest owners of real estate in the world. The RTC strategy was that the private sector would be the driving force in selling these and other assets under RTC control. In order to accomplish this, the RTC developed a Standardized Asset Management and Disposition Agreement (SAMDA). The RTC's SAMDA contractors have the primary responsibility to perform loan workouts, manage real estate owned by RTC

\textsuperscript{34} Series 1992-C1 Prospectus, Resolution Trust Corporation, (February 1992)

\textsuperscript{35} Jack Harris, "The Future of the Secondary Mortgage Market," Real Estate Issues, (Spring 1990), 16.
receiverships, prepare assets for sale, market them, and advise the RTC on the best course of disposition for each asset or group of assets.36

For certain types of assets, the RTC retains highly specialized advisers to oversee their disposition. The most prominent example is the case of mortgage servicing. Since June 1, 1989, the RTC (or the FDIC as Conservator) has engaged the firm of Hamilton, Carter and Smith and the firm of Smith Barney to advise the RTC on the disposition of mortgage servicing rights. This approach has proven to be very beneficial to the RTC. Mortgage servicing is a very specialized business with a limited number of market participants.37 In more specialized fields the RTC found that few minority or women owned firms were qualified or had the resources to take on the work.38 Other specialized services are as follows.

**Loan Sales Advisers**

The RTC uses outside specialists for selling pools of performing single-family mortgages and consumer loans. These firms analyze, evaluate, package, market, and sell these types of assets for the RTC. Mortgages and consumer loans constitute over 50% of all receivership assets. Engagement of these firms appreciably accelerates the sale of these assets.39

**Sales of Securities**

36Henry Lorber, Director of SAMDA Program Management, RTC Atlanta Office, Interview with author, (July 19, 1993)


38Leroy Brown, RTC, Valley Forge Sales Center, Pennsylvania, Interview with author, (September 21, 1993)

The RTC has a large volume of mortgage-related securities, both standard and exotic, as well as a substantial quantity of "junk bonds." The Capital Markets Branch of the Finance and Administration Division is responsible for all securities transactions for the RTC and also assists in the downsizing of a conservatorship by selling securities and other capital markets instruments prior to resolution.

Virtually all unencumbered securities (for example, those not pledged against liabilities) are sold while an institution is still in conservatorship. Those securities that are in receivership and that are pledged against liabilities are not free for sale, however, until they become unencumbered. All sales are conducted via the competitive bidding process; 125 potential buyers (broker/dealers, companies, investors, etc.) are given an opportunity to compete for these assets. Additionally, financial derivatives such as interest rate swaps, caps, floors, or other hedging instruments are sold, unwound, or terminated through this same competitive process.40

Junk bond sales are conducted in an orderly fashion that requires extensive coordination among the various RTC thrifts, their outside advisers, and the Capital Markets staff in Washington. The RTC portfolio of junk bonds, however, contains a number of credits that are currently involved in restructuring and/or are tied up in bankruptcy courts, thereby placing limitations on the RTC's ability to sell these assets.

In an effort to assist in disposition strategies for its high yield securities, the RTC solicited registered contractors for advisory services. Once an outside adviser is on board, the RTC will analyze all disposition options, some of which include CBO's (colateralized bond obligations), bulk sales, workouts, auction sales, etc. In an effort to reach as many

buyers as possible, the RTC's first junk bond portfolio was published on July 29, 1990, and was published quarterly thereafter.41

Securitization

RTC advisers work with receiverships that have identified securitizable pools of one to four family mortgages. The RTC also seeks investment banks and other secondary market specialists to assist in structuring other assets more difficult to securitize, such as commercial loans.

Legal Contracts

Legal contracts are handled differently from other types of outside services and are not awarded and monitored by the RTC in the same fashion. As the RTC's performance in meeting contracting targets for minority and women owned lawyers has been under particular scrutiny recently, this thesis provides additional detail on the subject.

For the hiring of outside counsel, the FDIC Legal Division provides oversight to the RTC. In August 1990, the FDIC's General Counsel appointed a Special Counsel for the RTC. In October the RTC Legal Branch was established. The RTC Legal Branch was responsible for coordinating all legal services and assisting in the development of legislative and regulatory policy for the RTC.

Within the FDIC's Legal Division, the Office of Outside Legal Services and Minority Affairs (OOLSMA) was responsible recruiting and registering MWOBs to serve as outside counsel for the RTC. The FDIC's Deputy General Counsel of the Liquidation Section was in charge of oversight for OOLSMA. OOLSMA was the primary vehicle for establishing an

outreach program for outside counsel until February 1991, when the RTC designated in
house attorneys, responsible for assisting OOLSMA with tracking and reporting legal
matters referred to minority and women owned firms. Each of the RTC's four regional and
14 consolidated offices had an in-house staff attorney charged with the implementation the

These staff attorneys handle all hiring of outside counsel on behalf of the RTC for
financial institutions in conservatorship or receivership. The procedure for certification,
solicitation, and contract award is as follows. Law firms or attorneys must first register as a
potential contractor by completing an RTC contractor registration form. At that time
MWOB status is verified. At the time legal services are required, certified firms are required
to provide additional detailed information, such as billing rates and area of expertise. This
information is then evaluated by staff in the regional offices. If the RTC is interested in the
firm's services, the firm is interviewed by appropriate field staff, who determine whether to
recommend the firm to OOLSMA in Washington, D.C. The Washington headquarters then
reviews the recommendation an determines if it will be added to the list of counsel utilized
(LCU). The LCU is a listing of firms that may be used to provide legal services for the
RTC.\footnote{United States General Accounting Office, Report to U.S. Representative Kweisi Mfume, "Resolution Trust Corporation, Progress Underway in Minority and Women Outreach Program for Outside Counsel" (August 1991) Appendix II, 19.}

Certified MWOB law firms are selected for contracts on the basis of area of
expertise, capacity, and location. Legal services for which outside counsel are hired most
commonly are real estate transaction matters, real estate foreclosures, bankruptcy matters,
collection suits, director's and officers' liability, and bond claims.\textsuperscript{44} For all other types of outside contracting the bidding and award procedure is handled in-house by RTC staff. The procedure is outlined in the following section.

\section*{3.3 Procedures used by the RTC to Ensure Participation of MWOBs in Contracting}

This thesis divides into four stages the process by which the RTC contracts with MWOB firms. Each of these stages addresses different issues in the RTC's effort to get work out to MWOB contractors. The majority of the reforms that took place around 1991 focused on improving the efficiency of this four stage process. The following flow chart outlines the chronological order of the procedures that are part of a successful relationship with an MWOB contractor.

\begin{itemize}
  \item Certification and verification
  \item Solicitation of Service
  \item Review and Selection
  \item Monitoring and Compliance
\end{itemize}

This section provides a description of the procedures implemented in each of these four stages of the process with an analysis of the factors that influenced the RTC's ability to meet the MWOB participation levels intended. In addition, to data on nation-wide performance, collected from Congressional testimony and General Accounting Office reports, this section will draw on data from interviews with personnel from the Atlanta and Valley Forge field.

\textsuperscript{44} Ibid GAO/GGD-91-121 Outside Counsel, 1-2.
offices, as illustrative examples of how policies created at the national level impacted implementation in the field.

Certification and verification

According to article 1617.13 of the Federal Register, each firm claiming status as an MWOB will be required to provide certification and verification of that status. Firms interested in working with the RTC must first complete a certification affidavit confirming their MWOB status, which is reviewed by the Department of Minority and Women's Programs. If approved, the firm's name is placed on an Approved contractor list and is eligible to receive "Solicitations of Service" (SOS). Once certified, firms may then bid on RTC contracts.\(^45\)

Simply stated, the RTC's goal of the certification process is to get as many legitimate MWOB firms as possible registered. To do this, the RTC conducts an outreach program that includes advertisements, training seminars and speaking engagements with minority and women trade associations. Before the reforms of 1991, contractors seeking MWOB status would write in to the RTC on a form on which they would check off the type of services they were prepared to perform. The RTC then entered the names into a national database where they could be accessed by service type on a random basis, similar to the system employed by the FDIC. The FDIC system was designed to avoid a phenomena commonly known as "creaming" where the most qualified minority in a region are selected to meet targets and then are used over and over again for all contracts. The intent of the random selection system was to ensure that new MWOB firms are given access.\(^46\) By 1990, over 30,000 firms were registered in RTC database. Of this total, 6,500, or 22 percent, were minority or

\(^{45}\) Regulations Contained in the Federal Register, Sec. 1617.13

\(^{46}\) Paul Barns, Federal Deposit Insurance Corporation, Interview with author, (September 25, 1993).
women-owned businesses. The field managers were responsible for the verification of the information provided to the database. The result was that contractors, once on the database, would assume that they were certified as MWOB and would submit bids to the field offices when in fact they had not been verified as such. Field managers found the system inefficient because the information provided by the national database was often inaccurate and could not be relied on. MWOB contractors would commonly list themselves as providers of several types of services on the database, however, when solicitations were sent out, the RTC would not receive a response from MWOBs as they did not qualify under technical competence criteria for the service needed. The national database, scrapped as part of the reforms of 1991, was replaced with a system that left the certification and verification responsibility largely up to the field offices under the guidelines of the CPPM. Under the new system, MWOBs are required to be precertified at the regional level, and field offices produce their own lists of qualified contractors by service type. The process involves a review of the contractor on the basis of technical competence, cost, and MWOB status. Contractors were prequalified via a Basic Ordering Agreement (BAO), which outlines the terms and conditions of service contracts prior to the bid/award procedure.

Solicitation of Services/Review and Selection

The goal of the solicitation process was to get SOSs out to MWOB contractors qualified to do the work. The CPPM required that the RTC advertise the contracts in the Commerce Business Daily, a publication in which all federal agencies are required to advertise services needed in accordance with the Federal Acquisition Regulations (FAR).


48 Judy Wood of the RTC Valley forge Sales Center, Pennsylvania, Interview with author, (September 21, 1993).
Also, as part of the new system, the random solicitations were abolished because of flaws in the way the system operated. Contractors who did not win contracts in an initial round would automatically be eliminated from solicitations for the next contract that came along in their service area.49

Also, as stated before, information regarding a contractor’s qualification was often inaccurate. The random solicitation process was replaced with a system that allowed field offices to solicit directly from their own list of qualified contractors. Once BOAs were established, field offices would fax out solicitations to its list of qualified contractors. Bids received from certified contractors were reviewed and judged by a committee of individuals at the RTC field offices. These committees are typically formed for each contract to be awarded and were made up of individuals from various departments in the RTC. Committee members are selected from departments with expertise that falls into the scope of the contract. For example, a typical asset management and disposition (SAMDA)50 contract committee will have members with backgrounds in asset management, asset marketing, and finance. The committees judges all bids (both MWOB and non-MWOB) according to the bidder’s (1) technical competence and (2) cost of the bid. Each bidder is awarded points based on these criteria, which are tallied into a final score. The RTC generally judges contractors 70% on technical competence and 30% cost.51 After the scoring is done bonus, considerations are applied to the MWOB bids to advantage them in the selection process. Bonus considerations are typically a value of 10% added to the final score. The final selection process leading up to the contract award takes into consideration highest overall


50 SAMDA refers to "Standard Asset Management and Disposition Agreement" These contracts were a widely used disposition strategy by the RTC between approximately 1990 and 1992.

51 According to the Valley Forge Sales Center, after 1991 reforms the ratio was 60% technical and 40% costs and MWOB status.
scores and also other criteria. In the case of SAMDA contracts, often the most important outside factor is local experience and market knowledge.52

After a "Technical range" is applied to the bid, bonus considerations are applied to the final score to advantage qualified MWOB contractors. In addition to each contractor's technical and cost score, technical and cost bonus points are applied as a percentage of the total technical points achievable in the rating process. As of May 1, 1992, the technical and cost bonus points were allocated in the following format.

<table>
<thead>
<tr>
<th>Firm Type</th>
<th>Technical (percent)</th>
<th>Cost (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MWOB</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Joint Venture (JV) with 40% and above MWOB participation</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>JV with at least 25% MWOB participation</td>
<td>5</td>
<td>2.5</td>
</tr>
<tr>
<td>Non-MWOB firms with subcontracting plan of 40% MWOB participation</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Non-MWOB firms with subcontracting plan of at least 25% MWOB participation</td>
<td>5</td>
<td>2.5</td>
</tr>
</tbody>
</table>

Prior to determining the competitive range, the Department of Minority and Women's Programs reviews bonus points assignment upon conclusion of the technical evaluation by the technical evaluation committee and the cost evaluation by the contracts office. To ensure the maximum participation for MWOBs, the Assistant Vice President of the Department of Minority and Women's Programs then has the authority to adjust upward the technical and cost bonus points applicable in evaluating proposals to the extent necessary.53

52 Henry Lorber, Director of SAMDA Program Management, RTC Atlanta Office, Interview with author, (July 19, 1993).

53 Op.Cit, Sec. 1617.60.
Field offices have streamlined the bid/award system through the prequalification procedure discussed above. Once a BOA has been established a greatly simplified technical review is conducted and bonus considerations are applied in accordance with the BOA. Also, for contracts under $25,000 a telephone review can be conducted with a minimum of three MWOB contractors and only the winning contractor are required to send in written certification documents. Under $50,000, five MWOB contractors must be solicited and the review procedures are also greatly simplified. In addition, the RTC provides optional Post Award Conferences (PAC) to any contractor who is unsuccessful in winning a contract to help them write better proposals for future contracts. PAC panels include the contract specialist, the technical panel, and anyone else involved in the original review.  

**Joint Ventures**

To enhance MWOB access to RTC contracting activities in more specialized service areas, joint ventures are encouraged. The intention is that through such an arrangement MWOBs will acquire training through the association with a more established or larger firms and will increase resource development opportunities so that MWOB firms may eventually have the expertise and capacity to compete independently.  

To be eligible as an MWOB joint venture, the MWOB partner must (1) have a clearly defined portion of the work to be performed and hold management responsibilities in the joint venture; and (2) perform at least 25% of the duties associated with the contract and receive compensation proportionate to its duties. In its effort to encourage joint ventures,

---

54 *Op.Cit, Judy Wood.*

55 *Op.Cit, Sec. 1617.20.*

56 *Op.Cit, Sec. 1617.20.*
the RTC actively employs an education program that involves training seminars and speaking to local trade associations. They refrain, however, from actively matching firms.\textsuperscript{57}

**Subcontracting**

Another method for increasing participation of MWOBs in its contracting activities in specialized service areas, is the use of MWOBs as subcontractors. Like joint ventures, generally the RTC requires the MWOB subcontractor to do 25 percent of the work on a contract. The primary contractor gains the advantage of certain incentives, including the award of cost and technical preferences. Greater incentives are available to primary contractors who reach levels of subcontracting greater than 25\%.\textsuperscript{58}

**Factors Influencing MWOB Participation**

Several factors influenced the RTC's ability to contract with MWOB firms. One important factor in the process was that often the size, complexity, and urgency of contracts would conflict with the desire to use MWOB contractors. For example, in one instances when a large financial institution was being taken into receivership, the RTC needed an accounting firm that could put 50 experienced people to work immediately to complete the project in four to five days. Not an MWOB firm in the area had the resource to handle that type of requirement. The RTC had to rely on a more established, white male owned firm. There may have been other instances where MWOBs were not competitive with their non-MWOB counterparts. However, this instance is cited only as an illustrative example of an extreme case. These situations are less frequent, with recent efforts to promote the joint venture and subcontracting programs, however. Today most established firms have already

\textsuperscript{57}Op.Cit, Henry Lorber.

\textsuperscript{58}Op.Cit, Sec. 1617.20.
formed alliances with MWOB firms to take advantage to the bonus considerations allowed by the program.\textsuperscript{59}

The other important factor was the distribution of the MWOB population from region to region. In Atlanta, as in other densely populated areas, qualified MWOB contractors were readily available. In other areas such as the Valley Forge Office in Pennsylvania, there were often fewer candidates. For example, Atlanta easily met its target for SAMDA contracts with seven out of a total of 21 contracts awarded to MWOB contractors and 33\% of the subcontract work also awarded to MWOB firms.\textsuperscript{60} The experience at the Valley Forge office was quite different. Often finding a single qualified MWOB SAMDA contractor was difficult within the designated radius. The Valley Forge contracting managers often had to increase the radius of their search to find a qualifying MWOB firm. When they finally did find one, the distance was usually so great that the firm's bid could not be made competitive with non-MWOB firms, even with bonus considerations applied.\textsuperscript{61} In the more specialized types of service, qualified MWOB contractors rarely responded to solicitations in both Atlanta and Valley Forge. According to managers interviewed from both offices, most specialized services required by the RTC grew out of the financial services industry which historically has been a white, male dominated-industry. Only recently have minority and women owned firms established a foothold in the industry.

The processing and dissemination of information was another important issue. Most minority contractors interviewed for this thesis stated that they did not have access to accurate information about what resources were needed to successfully bid for contracts.

\textsuperscript{59} Op.Cit, Judy Wood.

\textsuperscript{60} Op.Cit Henry Lorber.

\textsuperscript{61} Op.Cit, Leroy Brown.
Managers interviewed from both the Atlanta and Valley Forge offices attributed this to early organizational problems. Particularly, they cited lack of coordination between the Minority and Women Programs office in Washington and the contracting offices located in the field. There was often a lag between the time information was issued by the field contracting office regarding the specific skills the contracts required and when the MWOBs would receive it through the MWP office in Washington. They also said that much of the early problem have been eliminated through the pre-certification process that creates a direct link between the field contracting office and the MWOB firms qualified to work.62

**Monitoring and Compliance**

To ensure the integrity of contractors and the quality of their service the RTC has an ongoing monitoring program for all contractors. In addition to performance criteria, the RTC also confirms ongoing compliance with MWOB status. The monitoring is overseen by the Contract Administration Department. Reviews are conducted every two weeks during the term of a contract. Also, the RTC is not subject to the Prompt Payment Act, which requires government agencies to pay interest on invoices more than 30 days delinquent. This gives the RTC additional clout in their ability to ensure that all contractors are in compliance with the regulations and performance standards. As a general policy, the RTC will not pay unless an invoice is correct.63

An important finding that came out of improvements in the monitoring process was that while contract awards were meeting the 30% target for MWOBs overall in most field offices, the ratio was not 15% minorities and 15% women as intended. In the Valley Forge field office the ratio was closer to 5% minorities and 25% women. The managers


interviewed associated a large portion of this inequity with instances of non-MWOB proprietors setting up "front" companies to qualify for the competitive advantages available to MWOBs. In most cases, these "front" companies were run by the wife of the male proprietor. More detail on the subject will be presented in chapter five where, national results and policy enhancements are covered. The important point for this discussion is that the inequity was uncovered as a result of improvements contained in the RTC Refinancing, Restructuring and Improvement Act of 1991 that enhanced contract monitoring and the way performance data was tracked.

\[64\text{Op.Cit, Judy Wood.}\]
<table>
<thead>
<tr>
<th>WORK FLOW</th>
<th>STRATEGY BEFORE 1991</th>
<th>RESULTS</th>
</tr>
</thead>
</table>
| Certification and Verification | • Getting the word out through advertising nationally  
• Names put into national database  
• Verification done by field office | • 30,000 contractors responded; 22% MWOBs nationwide  
• MWOBs, like other contractors, registered for services in areas where they did not have technical expertise.  
• MWOBs did not have same access to information as more established firms due the coordination issues between Washington and the field |
| Solicitation of Services | • Random solicitations from national database  
• Field office responsible for verification | • Information provided by national database inaccurate  
• MWOB firms registered in national database for certain services did not respond to solicitations  
• Few MWOB contractors responded to solicitation for more specialized services  
• Size and complexity of contracts disadvantaged MWOB firms |
| Review and Selection | • Review at field level in terms of  
• technical competence  
• cost  
• MWOB status  
• Application of bonus considerations | • Firms improperly registered as MWOB  
• Bonus considerations applied inconsistently |
| Monitoring and Compliance | • Monitoring done by field staff  
• Contract award statistics tracked by field office for own use | • No centralized data collection to track performance nationwide  
• Inconsistencies in the way data was collected and tracked between departments  
• Inequitable distribution of contracts -- approximately 25% to women and 5% to MWOBs |
CHAPTER FOUR

Performance of RTC to Date in Implementing MWOB Policy

4.1 Implementation of the Policy (Inception Through 1991)

The performance of the RTC in its effort to put in place the mandates of FIRREA associated with minority and women outreach has improved dramatically since the fall of 1991, when the Interim Final Regulations were approved and the RTC drafted a new set of internal directives. Prior to that time, the widely held view was that the RTC's performance was lackluster. Between August 1, 1989 and January 15, 1991, 5319 contracts, worth $306.9 million, were awarded. White male-owned companies received 4,268 contracts or 80.2% of these contracts, worth $215.6 million. White female-owned concerns were awarded 653 contracts (12.28%), worth $78.86 million. Meanwhile, companies owned by ethnic minorities were awarded 398 contracts or 7.48% of the total.65 Most of the problems associated with this early performance can be traced to the lack of a clear operating strategy at the RTC and inconsistent interpretation of a loose set of policy goals by the field offices charged with their implementation.

In the first two years of operation, the RTC was clearly below its internal target of providing 30% of the contracts to MWOB firms. In September of 1991, the General Accounting Office (GAO) completed an investigation of the RTC's minority efforts and reported "a persistent pattern of understaffing and underfunding." Until 1992 the RTC outreach office, which is responsible for developing and overseeing national asset management program guidelines at its Washington headquarters, consisted of a director and

one secretary. The report also stated that each RTC region and consolidated office establish its own policy for staffing the MWOB program. The report stated that staffing of the MWOB outreach program at various levels in RTC was minimal compared to the responsibilities to be carried out. Most regional offices had one minority contract specialist and shared technical and secretarial support with regional contract departments. These contract specialists were expected to oversee all aspects of the MWOB outreach program, including certification of contractors, providing MWOB program training, and monitoring all contracting activity in both receiverships and conservatorships for compliance within the regulations.66

The January 1990 interim program guidance also did not provide for an oversight program and the Washington headquarters did not possess adequate staff to effectively implement one. Due to the vagueness of the interim guidelines, the regional and consolidated offices were free to interpret them differently. As a result, the outreach program's implementation was inconsistent. The lack of specific guidance in verifying MWOB status resulted in firms obtaining contracts as an MWOB in one office but not another office. As a result, the program has been implemented inconsistently in the field, and the RTC lacks assurance that (1) self-certified MWOB's are actually MWOBs and (2) MWOBs always receive the competitive advantage intended by the program.67 While requiring minority contract specialist to verify contractors eligibility, the guidelines did not outline the process or criteria through which they were to carry out the verification. Thus the certification and verification was inconsistent across regions. For example, in the San Antonio Consolidated Office, the minority contract specialist denied MWOB status to a woman-owned joint venture. The denial was on the basis that the woman-owned portion of

the joint venture did not have the minimum level of control necessary for MWOB program eligibility. Because there is no national listing of firms that have been denied MWOB status, the firm remained a self-certified MWOB joint venture in the RTC's contractor database and continued to receive the MWOB bonus points when competing for contracts.\textsuperscript{68}

In addition, the technical bonus points were not consistently applied across offices. As outlined in chapter three, each contractor's technical proposal is evaluated and given a numerical score. The manual provided to regional offices that outlined the program stated that MWOB firms are to receive a bonus of 10\% of the total points achievable in the technical rating process, but the manual did not outline at what point in the contracting process to apply the bonus points. As a result, RTC's consolidated offices were applying technical bonus points at different stages. In four of the six consolidated offices visited by GAO researchers, the technical bonus points were generally applied to all MWOBs submitting bids prior to determining the competitive range of technically capable contractors. In the other two offices, the technical bonus points were applied to MWOB firms only if they were determined to be in the competitive range without the bonus points. In the case of the latter two offices, this resulted in seven MWOB proposals being eliminated from consideration prior to April 1991. The cost advantage was not applied at all during the evaluation process because MWOB contractors were not within the required 3\% of the lowest bidder. When evaluating the cost proposal of an MWOB firm, RTC applies the 3\% cost advantage only if the MWOB's cost proposal falls within a 3\% variance range from the lowest cost proposal. The January 1990 interim guidelines for the MWOB program and RTC's Asset Management and Disposition Manual state that MWOBs should receive a price advantage of up to 3\% for competitively bid services, subject to a $2 million per annum ceiling for all contracts. RTC is allowed to spend up to $2 million per year to lower MWOB

\textsuperscript{68}Op.Cit, GAO/GGD-91-138, 4 - 7.
cost proposals to help MWOBs win contracts. Between 1989 and 1991, the RTC used $256,315 of the $4 million allotted for the 2-year period.69

Finally the GAO study raised the issue of possible abuse of the system by firms inappropriately claiming MWOB status. From August 1989 through September 6, 1991, RTC had awarded 148 asset management contracts with estimated fees totaling almost $510 million. Together, firms claiming MWOB status received 38% of the asset management contracts and 32% of the estimated fees. Contractors claiming minority status represented 12% of the contractors on RTC's database and were awarded 12% of the asset management contracts and paid 10% of the estimated fees. On the other hand, women-owned firms comprised 17% of the database, received 26% of the asset management awards, and were paid 22% of the estimated fees.70 Although these statistics do not quantitatively prove the existence of favoritism, the problem of improperly registered women-owned firms has been particularly vexing to the RTC. According to one field manager interviewed, RTC staff have uncovered instances where white male proprietors have assigned 51% of their company stock to a female, usually the wife, to qualify for MWOB status. This has been a particularly hard problem to control because if the company is under majority control of a female, it qualifies under RTC guideline regardless of the female's origin or length of time with the company. The way the regulations are currently written, there are gray areas that make it difficult to catch abusers of the system. Within the framework of the system, the RTC can review a company's incorporation documents and stock certificates, as well as, conduct on site visits to verify that a MWOB is in control.71

71 Judy Wood, RTC Valley forge Sales Center, Pennsylvania, Interview with author, (September 23, 1993)
In conclusion, the problem in the first two years appeared to be rooted in the fact that RTC officials were focusing their attention on awarding contracts as quickly as possible before the underlying assets under management depreciated further in the rapidly softening real estate market. As mentioned above, certain instances, inconsistencies in the regulations for registration disadvantaged MWOB firms and effectively kept them out of the bidding process. Subsequently, most of the large contracts went to large, white male-owned companies, or firms inappropriately registered as MWOBs.

4.2 Implementation of the Policy (1991 to Present)

Change appears to be underway. In November, 1991 the RTC consolidated many of its minority programs into a single department headed by Johnnie B. Booker. From approximately July, 1991 to the present, the RTC has made an effort to consolidate and expand its minority outreach program, increase advantages for minority firms in the bidding process, and developed new rules to substantially increase the share of minority-awarded business contracts. Booker increased her staff to eight professionals and in March of 1992 announced that all of the RTC's offices would be expected to allocate a minimum of 30% of their fees and contracts to MWOBs and 20% of all new legal assignments. Additionally, all RTC major contractors with fees of $200,000 or more would be required to subcontract at least 25% of their work to minority and women-owned businesses. As of May, 1993 the GAO reported that of the $1.13 billion in estimated fees paid by the RTC during 1992, minority-owned businesses received $206 million, or 18%, and women-owned businesses received $117 million, or 10%. Combined, MWOBs received 28% of all contracts. The RTC's inventory, which has been declining due to the slowing pace of takeovers, currently stands at $87 billion. This includes $10.3 billion in performing one to four family loans,

$13.3 billion in other performing loans, $15.7 billion in delinquent loans, $10.5 billion in REO, $6.6 billion in investments in subsidiaries, and $14.5 billion in cash and securities and other assets.\textsuperscript{74} Over 710 institutions have been assigned to the RTC as of the spring of 1992.\textsuperscript{.} RTC collections from sales are in excess of $250 billion. Of these sales $73 billion are from one to four family mortgages, $28 billion from other mortgages, and $8 billion from sales of REO. The remaining balance is from sales of non-real estate assets.\textsuperscript{75}

In a report before the Subcommittee on General Oversight, Investigations, and the Resolution of Failed Financial Institutions, Booker presented the following results for the RTC's MWOB contracting efforts from inception August 1, 1989 through February 28, 1993. The RTC has awarded a total of 108,298 contracts with related estimated fees of $3.1 billion. Minority and women businesses have been awarded 32,515 contracts or 30.0\% of all contracts awarded and related estimated fees of $783.5 million or 25.2\% of all estimated fees awarded. The breakdown of these results by minority grouping can be found in Appendix 1. Although Booker's team has made important strides, much remains to be done to ensure equitable registration standards and to avoid abuses of the system that siphon away benefits from the parties for which they were intended. The following chapter will outline some of the improvements on the way the RTC does business that have either been implemented or are well in the planning process.

\textsuperscript{74} The RTC Investor, "RTC Statistics," Volume 3, Number 7 (July 1993), 2.

CHAPTER FIVE

Policy Enhancements To Facilitate Objectives of MWOB Program

5.1 Organizational Enhancements

As outlined earlier from the RTC's inception in 1989 to 1991, outreach and information dissemination efforts for minority and women contractors were handled by, in most cases, a single person in each of the RTC field offices. By the latter part of 1991, it became clear to RTC managers that neither this organizational structure, nor its associated resources were sufficient to carry out the mandates of FIRREA. New components were established within the RTC's Washington headquarters which included; a business and contracting office charged with increasing participation of Minority and women owned businesses and investors in RTC activities, a policy and evaluation unit to assure program oversight and monitoring, and liaison efforts with the Division of Legal Services to ensure that minority and women owned law firms (MWOLFs) received an equitable share of legal engagements. In total, four new offices were created within the Department of Minority and Women's Programs (MWP Department) during this reorganization; The Office of Minority and Women Owned Business, the Office of Legal Programs, the Office of Equal Employment Opportunities and Affirmative Action, and the Office of Policy, Evaluation and Field Management. In November, 1992, when responsibility for outreach to MWOB law firms was transferred to the MWP Department, the Office of Legal Programs (OLP) took responsibility for overseeing programs designed to ensure that MWOLFs are retained as Outside Counsel. Overall responsibility for the RTC's minority and women outreach efforts was assigned to a senior level manager, which provided continuity and uniformity in planning and implementation of all the MWP Department's programs. Field offices were reorganized to report directly to the Assistant Vice President's office to eliminate
inconsistencies in policy interpretation, and assure greater efficiency in the program management and implementation.  

**MWOB Certification Process Enhancements**

As part of the RTC's efforts to deliver more assignments to minority and women-owned contractors, it has made important improvements to certification and verification procedures. In October 1992, the MWP Department established a task force to strengthen and clarify procedures for certification of MWOBs and MWOB Joint Ventures to confirm that such businesses meet the RTC's stated qualifications for obtaining MWOB status and thus are eligible for bonus point considerations. The Task Force included representatives from the MWP Department and the Office of Contract Oversight and Surveillance, Contracts, Ethics and Legal. Under the new rules, each firm requesting MWOB status must present proof of certification, and have its certification confirmed by the MWP department via review of a Certification Form submitted with specific documents, prior to the firm being submitted for a source list or prior to assignment of bonus points by the Office of Contracts. Further, when estimated fees of a contract exceed $50,000 or an award results in an accumulation over $50,000 in estimated fees, the MWP Department will carry out on site visits to verify compliance.

At a May 7, 1993 gathering of the Real Estate Capital Recovery Association Johnnie Booker said that the agency will be sending out recertification forms to firms currently registered as MWOBs. Any intentional misrepresentations uncovered by on site verifications will result in immediate sanctions. She went on to say, "We will work with you if there has

---


been a misunderstanding," but "even in the case of a misunderstanding, a company's MWOB status could be lost for a year."\textsuperscript{78}

As part of the new certification program, the RTC expects primary contractors to take increased responsibility for their subcontractors and confirm claims of MWOB status. In extreme cases where a subcontractor loses its MWOB designation after a contract has already been awarded, the RTC is prepared to pull the assignment away from the primary contractor. According to the current legislation the RTC requires that major contractors award 25\% of their subcontracting work to MWOBs.\textsuperscript{79}

**Application of Bonus Considerations**

As noted in chapter three, the bonus considerations have been viewed as an important mechanism through which to increase MWOB participation in the contract bid/award process. Adjustment of the bonus considerations currently operative in the program are under review by the RTC as part of the new initiative. Under consideration is the appropriateness of increasing the bonus considerations (current levels are 10\% for technical and 5\% for cost). Recent contracting statistics have identified disparities between the participation levels of ethnic minorities and women in RTC contracting activities. As of February 1993, minorities only receive 10\% of the total contract awards compared to 20\% received by non-minority women. While the 30\% overall MWOB business goal has been reached by several field offices, the 15\% minority, 15\% women target breakdown has not. Also under consideration is a goal of 20 percent for ethnic minorities and the requirement of mandatory subcontracting participation levels in all areas of RTC contracting.\textsuperscript{80}

\textsuperscript{78}Liquidation Alert, "MWOBs Under Greater Scrutiny," (May 17,1993), 4.

\textsuperscript{79}Ibid, Liquidation Alert, 4.

\textsuperscript{80}Op.Cit, Johnnie Booker, 8.
Efforts to Enhance Business Contracting Opportunities

This section focuses on the RTC's efforts toward the development of consistent strategies by program area for the sales and contracting efforts. The following are examples of recent improvements toward centralization of policy implementation, and coordination between the departments responsible for information dissemination and the ones awarding contracts.

- The Minority and Women Outreach Office (MWOO) was coordinated with the Sales Center in February 1993, to assure that minority and women owned businesses have an opportunity to participate in a new teaming initiative for the identification, management, collection, and disposition of judgments, deficiencies and charge-offs (JDCs). Under a new method of disposition of JDCs, the RTC intends to establish a number of limited partnerships that will also own and manage some RTC non-performing loans that have a balance of less than $50,000.81

- (MWOO) is now better coordinated with Office of Contracts to assure that the MWP Department is informed at the onset of all upcoming contracting activities for early involvement and inclusion of MWOB firms. As a result of the changes in the CPPM effective June 15, 1992, the MWOO now is better informed about contracts that are coming up and can dissemination information more efficiently to MWOB contractors. MWOO participates more regularly in contract kickoff meetings, technical evaluation panels, and reviews subcontracting plans to ensure adherence to the MWOB policy, inclusion of MWOBs in contracting solicitations, and the application of appropriate bonus considerations.82


The MWP Department is developing a training program to develop the skills of MWOBs to enhance their competitive responses to RTC solicitations. The training course entitled "Writing Proposals - Winning Contracts," was delivered to approximately 300 MWOBs at various locations across the country from April to August, 1993. The course will also include discussions of the new MWOB certification policy and procedures and will introduce new bulk disposition strategies employed by the RTC.83

- A new program, targeted to minority and women owned investment firms, will include investor seminars, and outreach to investment-oriented minority and women trade associations. Also, better coordination between the departments within the MWP office has helped to enhance the mechanisms to track minority and women investors. In addition, the RTC has initiated a program to package real estate assets into smaller portfolios targeted toward small investors.84

Another important program revision being proposed involves the mechanism to assure that the MWP Department has an integral and clearly defined role in the processes for contract assignment and change in contractors. Contractors now cannot assign contracts without RTC's prior approval. This program is designed to assure that all contractors employed by the RTC meet certification requirements.85

Small Business Initiative

Pursuant to legislative mandates contained in the RTC Refinancing, Restructuring and Improvement Act of 1991, the RTC is initiating revisions to the Contracting Activity Reporting System (CARS), to track awards to small businesses. The RTC plans to register the small business status on a Certification form, which will be added to the contracting documents. The form will certify that a firm is a small business according to its annual gross revenues. According to the legislative mandates the RTC is required to set an annual target for small business participation. These small businesses, however, will not be eligible for bonus consideration unless they are certified as an MWOB.86

Oversight and Monitoring

When Roger Altman took over as interim CEO of the RTC in 199187, he promoted Johnnie Booker to the senior vice president level to strengthen the management and implementation of the MWOB Department's programs. All Minorities and Women Program (MWP) staff now report directly to her in Washington.88 Beginning in 1992, the Department's Office of Policy, Evaluation and Field Management conducted Program Compliance Reviews of RTC field offices. These reviews were undertaken to assure the involvement of MWP staff in the contracting process; consistent application of MWOB bonus considerations; oversight and monitoring of contractors. Accompanying this review effort, a program to collect data on contract awards and related fees was initiated for the purpose of spotting inequities in the way the RTC's programs were being implemented. On a monthly and quarterly basis field personnel are required to report contracting data, which is


87Roger Altman as Deputy to Treasury Secretary Lloyd Benson was appointed as Interim head of the RTC as a replacement for Al Casey. As of October 3, 1993 Stanley Tate will take over as CEO of the RTC for its remaining two years of operation.

then tracked as a means of identifying progress in increasing awards and fees to MWOBs with particular emphasis on the noted disparities in awards and fees to ethnic minorities.\textsuperscript{89}

\textsuperscript{89}Op.Cit, Johnnie Booker, 21-22
# Strategies Employed Prior to Reforms of 1991 and Policy Enhancements

<table>
<thead>
<tr>
<th>Work Flow</th>
<th>Strategy Before 1991</th>
<th>Results</th>
<th>Policy Enhancements (Systems Used Currently)</th>
</tr>
</thead>
</table>
| Certification and       | - Getting the word out through advertising nationally  
| Verification            | - Names put into national database  
|                        | - Verification done by field office                                                                                                                                                                                   | - 30,000 contractors responded; 22% MWOBs nationwide  
|                        | - MWOBs, like all contractors, registered for services in areas where they did not have technical expertise  
|                        | - MWOBs did not have same access to information as more established firms due the coordination issues between Washington and the field                                                                                                                                 | - Enhance exposure to MWOBs through training seminars and speaking engagements with MWOB trade associations  
|                        |                                                                                                                                                                                                                     | - National database (CARS) was scrapped for certification use and is used only for monitoring  
|                        |                                                                                                                                                                                                                     | - Pre-certification (DOA) process was implemented by field office which streamlined verification                                                                                                                                                                             |
| Solicitation            | - Random solicitations from national database  
| of Services             | - Field office responsible for verification                                                                                                                                                                         | - Information provided by national database inaccurate  
|                        |                                                                                                                                                                                                                     | - MWOB firms registered in national database for certain services did not respond to solicitations  
|                        |                                                                                                                                                                                                                     | - Few MWOB contractors responded to solicitation for more specialized services  
|                        |                                                                                                                                                                                                                     | - Size and complexity of contracts disadvantaged MWOB firms                                                                                                                                                                                                             |
|                        |                                                                                                                                                                                                                     | - Direct solicitations to pre-qualified MWOB contractors from field office  
|                        |                                                                                                                                                                                                                     | - Established internal targets for MWOB participation  
|                        |                                                                                                                                                                                                                     | - For more specialized services, implementation of joint venture and subcontracting program helped bolster MWOB participation  
|                        |                                                                                                                                                                                                                     | - Smaller contracts awarded (S-series securities)  
|                        |                                                                                                                                                                                                                     | - Restructuring of (OLP) enhanced legal contract participation  
|                        |                                                                                                                                                                                                                     | - On site verification visits                                                                                                                                                                                                                                                                                                         |
| Review and Selection    | - Review at field level in terms of  
|                        |   - technical competence  
|                        |   - cost  
|                        |   - MWOB status  
|                        |   - Application of bonus considerations                                                                                                                                                                               | - Firms improperly registered as MWOB  
|                        |                                                                                                                                                                                                                     | - Bonus considerations applied inconsistently                                                                                                                                                                                                                          |
|                        |                                                                                                                                                                                                                     | - CPPM outlined consistent procedures for award of bonus considerations  
|                        |                                                                                                                                                                                                                     | - Post review debriefing program established to help MWOBs write better proposals in future                                                                                                                                                                               |
| Monitoring and          | - Monitoring done by field staff  
| Compliance              | - Contract award statistics tracked by field office for own use                                                                                                                                                    | - No centralized data collection to track performance nationwide  
|                        |                                                                                                                                                                                                                     | - Inconsistencies in the way data was collected and tracked between departments  
|                        |                                                                                                                                                                                                                     | - Inequitable distribution of contracts -- approximately 25% to women and 5% to MWOBs                                                                                                                                                                                   |
|                        |                                                                                                                                                                                                                     | - Centralized reporting to office of minority and women's programs                                                                                                                                                                                                       |
|                        |                                                                                                                                                                                                                     | - CARS system employed for monitoring and tracking inequities in the number of contracts awarded                                                                                                                                                                           |
|                        |                                                                                                                                                                                                                     | - Identified problem with ratio of contracts awarded to women and minorities                                                                                                                                                                                              |
|                        |                                                                                                                                                                                                                     | - Identified firms improperly registered as MWOBs  
|                        |                                                                                                                                                                                                                     | - Conducted on site monitoring visits                                                                                                                                                                                                                                |
5.2 Efforts to Enhance Legal Contracting Opportunities

The RTC was well short of its goal to award 20% of its legal contracts to MWOLFs. The RTC paid $351 million in legal fees during 1992, of which minority-owned law firms received $22 million, or 6%, and women-owned law firms received $14 million, or 4%. Interestingly, unlike statistics for all contracts awarded, legal work appears to be a type of contracting where minority-owned firms have consistently achieved a larger percentage of participation than women owned firm. It is difficult, however, to draw conclusions about the trend due to the number and complexity of the variables involved. The following are contracting results for legal work as reported by the RTC as of March, 1993.

**RTC Legal Fees Paid**

**Fees Paid in 1991**

<table>
<thead>
<tr>
<th>Minority-Owned Firms</th>
<th>$5,381,128</th>
<th>2.1%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Minority Women-Owned Firms</td>
<td>$1,485,147</td>
<td>0.6%</td>
</tr>
<tr>
<td>Non-Minority Men-Owned Firms</td>
<td>$244,659,288</td>
<td>97.3%</td>
</tr>
<tr>
<td>Total</td>
<td>$251,525,563</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Fees Paid in 1992**

<table>
<thead>
<tr>
<th>Minority-Owned Firms</th>
<th>$22,108,571</th>
<th>6.3%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Minority Women-Owned Firms</td>
<td>$14,065,630</td>
<td>4.0%</td>
</tr>
<tr>
<td>Non-Minority Men-Owned Firms</td>
<td>$315,155,067</td>
<td>89.7%</td>
</tr>
<tr>
<td>Total</td>
<td>$351,329,268</td>
<td>100%</td>
</tr>
</tbody>
</table>


91 Source: Representative Kweisi Mfume's (D-Md) Office, Washington D.C. Note: These figures relate to all legal work performed for the RTC. Legal work related specifically to real estate represents a large percentage of these figures.

92 This number does not include conservatorship or SAMDA numbers.

93 This number is complete.
Fees Since Inception Through 12/31/92

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minority-Owned Firms</td>
<td>$27,975,839</td>
<td>4.3%</td>
</tr>
<tr>
<td>Non-Minority Women-Owned Firms</td>
<td>$15,694,416</td>
<td>2.4%</td>
</tr>
<tr>
<td>Non-Minority Men-Owned Firms</td>
<td>$605,269,031</td>
<td>93.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$648,939,286</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Fees Since 5/20/92 Through 2/19/93 (since adoption of MWOLF policy.)

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>MWOLFs</td>
<td>$28,818,996</td>
<td>11.8%</td>
</tr>
<tr>
<td>Non-MWOLFs</td>
<td>$214,462,008</td>
<td>88.2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$243,281,062</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Although some progress has been made since the organizational reforms of 1991 and again since the adoption of the MWOLF policy in 1992, the data show that the RTC is still below its target. To address this problem, the Department's Office of Legal Programs (OLP) has proposed a number of programs to augment the efforts that are in operation. The following are enhancements that were addressed during the testimony of Johnnie Booker before the Subcommittee on General Oversight, Investigations and the Resolution of Failed Financial Institutions on March 23, 1993.

- The Joint Referrals and Representation Program, like the RTC's joint venture program, is designed to encourage more established non-MWOLFs to establish relationships with MWOLFs to help MWOLFs gain access to contracts that were either too large, or beyond their scope of expertise. These relationships will be achieved by several

94 The conservatorship and SAMDA figures were not tracked until 1992, therefore, this number is incomplete as it relates to the years from 1989 through 1991.

* This number is complete.
arrangements including; co-counsel, joint counsel, joint ventures and consortia of MWOLFs. 95

- The Minority and Women's Partners Program is another program effort designed to ensure maximum participation by minority and women partners in non-MWOLFs in contracting for legal services. Information regarding this program has been distributed to over 350 law firms previously identified as potential candidates for the Partners Program. 96

- Symposia were arranged across the country, to identify firms and attorneys in order to increase referrals and legal fees to MWOLFs. 97

- The Settlement Workout Asset Teams (SWAT) Outreach Program started in March, 1993. RTC's SWAT teams are charged with the disposition and sale of major commercial loan assets and the review of pending negotiations and workouts. These SWAT teams have delegated authority to make decisions and guide specific disposition activities for which the Outside Counsel member would be partly responsible. There will be six regional SWAT teams and one Headquarters' team. 98

- Referrals to Outside Counsel by SAMDA contractors is an important part of the program. Since January of 1993, the OLP has been monitoring the referrals to MWOLFs and minority and women attorneys in non-MWOLFs by SAMDA Contractors. Under the

---

95 Op.Cit, Johnnie Booker, 17-20
96 Op.Cit, Johnnie Booker, 17-20
97 Op.Cit, Johnnie Booker, 17-20
98 Op.Cit, Johnnie Booker, 17-20
new rules, SAMDA Contractors must use RTC-approved law firms for legal matter referrals, and are bound, by contract, to the RTC's outreach objectives. SAMDA contractors are audited annually, to determine compliance with the RTC's policies.99

In December 1992, the OLP Washington staff completed a program of site visits. The program was designed to evaluate the effectiveness of the Legal Division's outreach efforts to MWOLFs in each of the RTC's field offices. The OLP staff interviewed RTC employees, MWOLFs, and minority and women attorneys during each visit. The data collected from these visits will be incorporated into the monitoring and program compliance reviews conducted in conjunction with the Department's Office of Policy, Evaluation and Field Management.

The OLP will be actively involved in the process of identifying and referring legal matters to MWOLFs and to minority and women attorneys in non-MWOLFs. In addition, OLP staff will serve as voting members of the Legal Services Committee (LSC) in each RTC field office and in Headquarters. The OLP's LSC representative will ensure that the MWOLFs participate in legal contracting activities with the RTC.100

To enhance the monitoring of referrals and fees paid to MWOLFs by the Legal Division, the MWP Department has established quarterly meetings with the Associate and Assistant General Counsels in the Legal Division. The first quarter meetings were held between February 15 and March 15, 1993.101

99 Op.Cit, Johnnie Booker, 17-20
100 Op.Cit, Johnnie Booker, 17-20
5.3 Efforts to Include MWOBs in Bulk Disposition Efforts

Of the various bulk disposition strategies outlined in chapter three, the securitization effort presents the greatest challenge to the RTC in their effort to involve MWOBs because of the size of the contracts and the cash reserves contractors are required to have. The Office of Securitization of the Capital Markets Division has, since its inception in 1991, made significant improvement in MWOB participation in virtually all of its operations and contracting activities. The RTC recently set targets of 25% MWOB participation in the securitization of commercial performing loans and non-performing (N-series) loans. As most of these offerings are too large for MWOB firms to qualify under the credit rating requirements, the RTC has been particularly reliant on the use of joint ventures and subcontracting in these contracts to meet the target. To further enhance MWOB access to the Securitization program, the RTC has this year developed the (S-series) program. The (S-series) program groups non-performing commercial mortgage loans in smaller packages with the location of collateralized assets less diverse. To help MWOBs around the credit requirement problem, the RTC in effect enters into partnership with them, taking the equity share of portfolio in trust and executing a 49% debt instrument with the MWOB firm. The debt instrument is in the form of "one class" fixed rate notes unlike the rated bonds common to the (N-series) transactions.102

According to Johnnie Booker's testimony before a Senate banking committee, the success of the RTC's efforts to include MWOBs in the Securitization Program is largely due to the development of a Special Bracket on MWOB Managing Underwriters. Special Bracket designation is reserved for co-managing underwriters that are minority and/or women owned investment bankers and broker/dealers who serve as underwriters for RTC

102Maria Pereria, RTC Securitization department, Washington D.C., Interview with author, (July 12, 1993)
offerings of mortgage-backed securities. The term Special Bracket is intended to distinguish these firms from the major underwriting firms like Goldman-Sachs and Solomon Bros. and also to imply that these firms will be underwriting significantly smaller amounts of bonds in line with their smaller resources. In May 1991, the RTC solicited 55 minority and women-owned investment banks and broker/dealers to serve as underwriters for offerings of mortgage-backed securities. Originally, the RTC selected seven firms to participate in the program. There are currently nine approved MWOB investment bankers participating in the Special Bracket program.

Underwriters from the Special Bracket program have participated in each RTC mortgage-backed security offering issued to date. Co-managers are selected on a rotational basis, with two or three Special Bracket members selected for each offering, depending on size. Typically, $20 to $50 million of securities are allocated to the Special Bracket Co-managers in each transaction. The RTC intends to set the size of these bond issues to be large enough to permit each Special Bracket co-manager to attract wide investor attention and to achieve market credibility without taxing the firm's regulatory capital levels. As compensation, each Special Bracket co-manager receives a sales concession relative to the certificates in distributes, plus an allocation of syndicate underwriting and management fees. It is important to note that participation in the Special Bracket alone does not guarantee a firm underwriting profits. Special Bracket firms assume the underwriting risk and are profitable only to the extent that they successfully distribute allocated securities at the offering price.

104Op.Cit, Maria Pereria.
To date, Special Bracket co-managers have participated in 64 offerings of RTC mortgage- and asset-backed securities, with an aggregate principal amount of $34.9 billion. Of this total, the Special Bracket firms have been allocated over $1.5 billion in bonds to sell.\textsuperscript{106} Through their participation in the RTC securitization program, several MWOB firms have been able to expand their operations, enter new markets, and gain recognition as major competitors in their respective fields. In October, 1991, a Black owned investment bank, Pryor, McClendon, Counts & Co. Inc., lead-managed a $200 million mortgage-backed securities offering. According to the RTC, this was the first time a minority-owned investment bank has lead managed a public offering of mortgage-backed securities.\textsuperscript{107}

The RTC also has taken steps to increase MWOB participation in the due diligence examinations of loan files, loan packaging, loan delivery and loan assignment preparation duties associated with the mortgage-backed securities and Sales Center programs. This area is one in which MWOBs were underrepresented and was identified as an ideal subcontracting initiative for MWOB firms. To that end the RTC has recently set an internal target to have 25\% of the due diligence work contracted with MWOB firms\textsuperscript{108} Also in the Spring of 1992, the Department of Minority and Women's Programs invited 21 MWOB firms to attend a conference on commercial loan due diligence held in Washington. The goal was to provide substantive information regarding RTC's expectations, and to introduce MWOB firms capable of performing due diligence services to prime contractors. The initiative resulted in a signed subcontracting agreement between an MWOB firm and a prime contractor for due diligence services on 1,000 residential loans, and the raised commitment levels of a number of national prime contractors to implement aggressive subcontracting plans with MWOBs.

\textsuperscript{106}Op.Cit, Johnnie Booker, 17-20.

\textsuperscript{107}Op.Cit, Johnnie Booker, 17-20.

\textsuperscript{108}Op.Cit, Maria Pereria.
In addition, new language placed in recent solicitations of services strongly encourage prime contractors to engage MWOBs on a subcontracting basis. 109

CHAPTER SIX

Conclusion

Although the balance of real estate assets is declining, issues such as the oversupply in the real estate industry and the strict regulations affecting the banking industry will continue to impact the efforts of the RTC during the last two years of its legislated existence. Barring any significant turnaround in the U.S. economy, tremendous amounts of real estate assets will continue to flow through the RTC and significant amounts of private sector assistance will be required by the process. Hopefully, with the policy improvements, some proposed and some already in place, the RTC's effort to involve minority-and women owned-firms will meet appropriate performance targets.

The focus of this thesis has been to first look at the goals of the minority and women program and then identify the factors that influenced their successful implementation. To do this, it first reviews the rationale of the program. If the federal government and ultimately the tax payers are to subsidize the cost of the outside contracting, every effort should be made to include all members of our society in the opportunities it produces.

Next it reviews the challenge the RTC faced by looking at the unique nature of the real estate assets the RTC was charged with managing and eventually liquidating to collect cash to cover the insured deposits of the ailing S&L industry. The RTC's real estate holdings comprised nearly 70% of the entire asset portfolio in the form of loan collateral, mortgage-backed securities and REO. The bulk of the properties which were located in the southwest,

were largely overbuilt markets with declining real estate values and flat rents. Also many of the assets were plagued with fundamental problems. The investment community to which the RTC was trying to sell these assets was risk-adverse and reluctant to commit large allocations of liquid capital to fixed-rate instruments in the uncertain economy.

Next, this thesis reviews the process by which the RTC took properties in, and sold them, specifically focusing on the private sector services that were required in four stages; certification and evaluation, solicitation of services, review and selection, and monitoring and compliance. Finally, it looks at performance measures, both nationally and at the regional level to compare the targets intended by the minority and women program with MWOB participation levels that actually occurred. From the performance data and interviews with field personnel, it identifies issues that influenced the implementation of the policy as well as the policy enhancements that were designed to address them. This thesis groups these issues and subsequent enhancements into two broad categories; organizational and structural. Within those categories the following conclusions are proposed.

Organizational Issues

Certification and Verification

Many of the problems associated with the RTC's early performance (before the reforms of 1991) can be attributed the organizational issues. Addressing inefficiencies and lack of coordination within a start-up organization were the central focus of much of the reorganization Johnnie Booker's staff undertook. In the certification and verification stage the problem was that often inaccurate information was provided by the national database about the MWOB firms that responded to advertisements placed by the RTC. Field offices would not know for certain if contractors registered for certain types of service would be able to actually provide it and respond to solicitation. Due to a lack of clear directives,
certification procedures were handled inconsistently across regions. MWOB contractors would often be certified by one field office but not another, resulting in missed opportunities. The scrapping of the national database and the new precertification (DOA) procedures helped to align the interests of the field offices requesting the work with the MWOB contractors that were poised to provide it in the region. Prior to the reforms, there was an indirect link between solicitor and provider. Also, information pertaining to contracts was not provided efficiently to MWOB contractors because of lack of coordination between the Minority and Women Programs office in Washington and the contracting offices located in the field. There was often a lag between the time information was issued by the field contracting office regarding the specific skills the contracts required and when the MWOBs would receive it through the MWP office in Washington. The result was MWOBs often did not have as up to date information as their non-MWOB competitors. Again, much of this problem was resolved through organizational reforms.

**Solicitation of Sevices/Review and Selection**

Many of the same reforms spill over into the solicitation of services and review and selection phases. Due to the lack of coordination between Minority and women Programs office in Washington and the contracting offices located in the field, MWOB firms would often not respond to solicitations. Also, bonus considerations were applied inconsistently by different field offices. The completion of the CPPM in 1991 went a long way toward closing some of the cracks in the systems that many MWOB contractors ready, willing and able to work fell through. Also, the reforms brought consistent performance targets for the first time to the MWOB contracting efforts.

In the case of awarding legal contracts, there is an important inter-agency, coordination issue. Before the reforms of 1991, the FDIC's legal division was responsible for hiring of ousted attorneys. This added an extra step for RTC field managers requiring legal services.
Although coordination has improved with the revisions discussed in chapter five, this will continue to be a challenge for both agencies over the next two years.

**Monitoring and Compliance**

Enhancements to the procedures during the monitoring and compliance phase were important as well. Prior to 1991 the RTC did not have consistent data nationwide on the implementation of the policy. As a result of improvements in the way data was tracked and reported, the MWP office in Washington could spot abuses of the system and inequities in the number of contracts that were being awarded to sub-groups within the MWOB designation; specifically, the inordinate amount of contracts that were going to women-owned contractors. As a result procedures were developed to address the problem, such as on site visits to confirm contractor performance and compliance with the MWOB requirements.

The issue of abuse of the program by non MWOB, "front" companies is an important one. When government agencies institute policy changes that significantly alters the playing field for certain contractors, they need to anticipate abuse. Specific criteria for establishing compliance needs to be addressed in advance. Much of the RTC early problems stem from the fact that, regulations establishing criteria for MWOB qualification, were not published until 1991.

The size and complexity of contracts was also an important organizational issue. Many MWOB contractors were excluded from working with the RTC because the size and complexity of the certain contracts were such that they were unable to perform the work within the time frame the RTC required or they simply did not possess the skills or staff capacity needed. This was particularly true in instances in which more specialized services
were required. The RTC was able to address much of the problem related to contract size through reconfiguring contracts into smaller units, as with the (S-series') security contracts and through the joint venture and subcontracting programs.

**Structural Issues**

Certain issues related to the competitiveness of MWOBs vying for RTC contracts, were outside the scope of what could be addressed through organizational reforms. There were structural issues the RTC could not control, that influenced the ability of MWOB firms to access contracts. The lack of experience of MWOB firms in certain more specialized fields, often prevented them from winning lucrative contract. The more established, non-MWOB firms often had technical ratings that was so superior in these service areas, that the MWOBs could not compete. The advantages offered by the minorities and women program were not enough to bridge the gap. Also, the relatively small size of most of the MWOB firms disadvantaged their bids. Due to economies of scale MWOBs could not always compete with larger firms on a cost basis. Finally, new regulation in the lending industry made access to funds more difficult for MWOB firms. MWOBs had difficulty acquiring the needed capital to position their firms to be more competitive. Larger, more established firms had better access to credit to purchase equipment, hire staff and conduct research.

The intent of identifying these factors is not to attempt to explain the underlying reasons for them, but to point out that these structural issues are not as easily fixed in the short term through policy enhancements as are the organizational issues described above. The RTC minority and women program has made an impact, however. As discussed in chapter five, through the RTC securitization program, several MWOB investment banks have been able to gain recognition as major competitors in the mortgage secondary market, a field that, according to Ms. Booker's report, had few active MWOB participants prior to the
RTC program. While change is slow, one can conclude that government intervention is effective and perhaps even necessary, if the goal is to improve structural conditions like the competitiveness of a population sub-group in the pursuit of government contracts. This brings up another important issue related to the RTC's performance prior to reforms in 1991. While the RTC had government subsidies available to them for use in advantaging MWOB bids, only a small fraction of the balance allocated was used in 1990. The factors that caused these funds to remain unused may be both structural and organizational.

In the implementation of the RTC's minority and women policy, structural and organizational influences were brought together. Effective policy enhancements had to address both. In general, the reforms the RTC undertook in 1991 were centered around aligning the interests and capabilities of the parties involved. On the structural side, the RTC attempted to repackage their contracts into smaller units. Also, through the joint venture and subcontracting programs, MWOBs were able to take advantage of more established firms' track record and economies of scale. On the organizational side, the RTC established better coordination between departments to more efficiently disseminate information and to more accurately apply benefits.

As the majority of the RTC asset portfolio was real estate, reforms also had to address the unique characteristics of the real estate industry. Unlike traditional manufacturing and consumer products businesses, the real estate industry is fundamentally reliant local market influences. Real estate services must address local market characteristics. Some aspects of the RTC minority and women program were best handled at the field level where RTC managers were more informed about the local business environment, and some aspects were best organized at the national level. The reforms of 1991 addressed what elements of the policy were best implemented centrally, and what elements required local responsiveness.
Are the Performance Targets Effective?

As outlined in chapter two the original rational for the 30% MWOB participation target (15% Minority and 15% women) was rather arbitrary. According to Ms. Booker, it was not based on the percentage the minority or women population represented in the total population or any other demographic issues. A 25% figure was picked by congress in subcommittee during the drafting of the RTC Refinancing, Restructuring and Improvement Act of 1991. Ms. Booker and her staff felt that they could reasonably do 5% better. The target, in reality, is based on an expectation of what the MWP office thought they could reasonably accomplish. So, if one determines the targets validity by comparing the expectation with actual performance data, one can conclude that, since Ms. Bookers arrival at the RTC, the performance measure does seem to reasonably balance the Goal of the Minority and Women Program with the primary objective of efficient cash collection.

Chapter three identified that the RTC has been unsuccessful in meeting the 15% minority, 15% women breakdown of the 30% target. Women-owned businesses were clearly winning more contracts in nearly every service categories with the exception of legal contracts. The RTC is currently exploring the option of defining new and separate targets for ethnic minorities and women. The strategy proposed by the Booker report is to increase the target for minority participation to 20% and establish national, mandatory, compliance targets for all contracting. While national, mandatory, compliance targets may help to reallocate RTC resources, it may indirectly conflict with the primary objective to expedite the collection process by limiting flexibility for certain field offices. Because population demographics vary so greatly from region to region, certain offices may be inappropriately burdened by compliance. Perhaps a better solution would be to set separate performance targets for each region based on a percentage of the minority population employed in
professional fields from census statistics or other data that better tracks business ownership by minorities or women by region. However, the strategy mentioned in the Booker report for allocating increased bonus considerations for minorities bids seems like a good idea. During the technical and cost review of minority bids for service contracts, they would be given more bonus points than would women-owned businesses for the same contract. This will increase the competitiveness of minority bids by increasing their total score, while allowing field personnel the flexibility they need to balance the primary objective with that of the minority and women program.

Additional Research

This thesis provides conclusions based on results for all contracting awarded by the RTC with some results for individual service types from interviews with field office personnel. A study breaking down contracting results by service type and region would be a valuable tool in both learning more about the population the policy intends to address and setting realistic performance targets.

In addition, the data presented by this thesis suggests that there are issues operative in the RTC's legal contracting effort that are independent of all other contracting types. As MWOB participation remains far below the intended targets, further study focusing on the issues related to legal contracting results is warranted.
Bibliography


Thompson, Kevin D., Franchise 50: Driving for Diversity, Black Enterprise, Vol. 23n2, (Sep. 1992), pp 49-64.

Davis, Philip, Another Look at the RTC, Black Enterprise Vol. 22n11, (June 1992), pp 67-68.


Interviews and Acknowledgments

Sherman Ragland..................................................Tradewinds Realty Advisors
Lamar Kelley......................................................Resolution Trust Corporation
Henry Lorber....................................................Resolution Trust Corporation
Barbara Pereria...................................................Resolution Trust Corporation
Judy Wood..........................................................Resolution Trust Corporation
Leroy Brown.......................................................Resolution Trust Corporation
Paul Barns..........................................................Federal Deposit Insurance Corporation
Tammy Hawley..................................................Aid to Rep. Kweisi Mfume (d Md.)
Pamela Smith.........................................................Appraisal Valuation Services
Joe Feaster..........................................................Mass. Commercial Banking Counsel
Lawrence S. Bacow...............................................MIT Center for Real Estate
Sandra Lambert...................................................MIT Center for Real Estate
Appendix (1) RTC Operating Results as of February 28, 1993

In a report before the Subcommittee on General Oversight, Investigations, and the Resolution of Failed Financial Institutions, Johnnie Booker presented the following results for the RTC's MWOB contracting efforts from inception August 1, 1989 through February 28, 1993
For Period 08/01/89 to 02/28/93
for all RTC Offices and their Institutions
All Contracts

<table>
<thead>
<tr>
<th>Ethnic/Gender Identity</th>
<th>Awards</th>
<th>%</th>
<th>Fee Value</th>
<th>%</th>
<th>SOS</th>
<th>%</th>
<th>Proposals</th>
<th>%</th>
<th>Registered</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Contracts</td>
<td>108,298</td>
<td>100.0</td>
<td>3,105,170,875</td>
<td>100.0</td>
<td>446,061</td>
<td>100.0</td>
<td>263,935</td>
<td>100.0</td>
<td>97,196</td>
<td>100.0</td>
</tr>
<tr>
<td>Non-Minority Men</td>
<td>75,783</td>
<td>69.9</td>
<td>2,321,676,152</td>
<td>74.7</td>
<td>316,157</td>
<td>70.8</td>
<td>192,611</td>
<td>72.9</td>
<td>69,828</td>
<td>71.8</td>
</tr>
<tr>
<td>MWOB</td>
<td>32,515</td>
<td>30.0</td>
<td>783,494,723</td>
<td>25.2</td>
<td>129,904</td>
<td>29.1</td>
<td>71,324</td>
<td>27.0</td>
<td>27,368</td>
<td>28.1</td>
</tr>
<tr>
<td>All Women</td>
<td>24,434</td>
<td>22.5</td>
<td>535,857,592</td>
<td>17.2</td>
<td>83,695</td>
<td>21.0</td>
<td>53,876</td>
<td>20.4</td>
<td>18,736</td>
<td>19.2</td>
</tr>
<tr>
<td>Non-Minority Women</td>
<td>21,517</td>
<td>19.9</td>
<td>426,911,058</td>
<td>13.7</td>
<td>78,741</td>
<td>17.6</td>
<td>45,622</td>
<td>17.6</td>
<td>15,071</td>
<td>15.5</td>
</tr>
<tr>
<td>Minority Women</td>
<td>2,817</td>
<td>2.6</td>
<td>108,946,536</td>
<td>3.5</td>
<td>14,954</td>
<td>3.3</td>
<td>7,254</td>
<td>2.7</td>
<td>3,665</td>
<td>3.7</td>
</tr>
<tr>
<td>Minority Men</td>
<td>8,081</td>
<td>7.4</td>
<td>247,637,131</td>
<td>7.9</td>
<td>36,209</td>
<td>8.1</td>
<td>17,448</td>
<td>6.6</td>
<td>8,632</td>
<td>8.8</td>
</tr>
<tr>
<td>All Minority</td>
<td>10,898</td>
<td>10.0</td>
<td>356,583,867</td>
<td>11.4</td>
<td>51,163</td>
<td>11.4</td>
<td>24,702</td>
<td>9.3</td>
<td>12,297</td>
<td>12.6</td>
</tr>
<tr>
<td>American Indian Men</td>
<td>548</td>
<td>.5</td>
<td>6,555,684</td>
<td>.2</td>
<td>2,209</td>
<td>.4</td>
<td>1,334</td>
<td>.5</td>
<td>403</td>
<td>.4</td>
</tr>
<tr>
<td>American Indian Women</td>
<td>323</td>
<td>.2</td>
<td>6,582,628</td>
<td>.2</td>
<td>1,317</td>
<td>.2</td>
<td>730</td>
<td>.2</td>
<td>256</td>
<td>.2</td>
</tr>
<tr>
<td>Asian Men</td>
<td>1,296</td>
<td>1.1</td>
<td>33,391,862</td>
<td>1.0</td>
<td>5,456</td>
<td>1.2</td>
<td>1,258</td>
<td>.4</td>
<td>1,192</td>
<td>1.2</td>
</tr>
<tr>
<td>Asian Women</td>
<td>333</td>
<td>.3</td>
<td>13,004,431</td>
<td>.4</td>
<td>1,957</td>
<td>.4</td>
<td>999</td>
<td>.3</td>
<td>468</td>
<td>.4</td>
</tr>
<tr>
<td>Black Men</td>
<td>3,474</td>
<td>3.2</td>
<td>124,150,169</td>
<td>3.9</td>
<td>16,694</td>
<td>3.7</td>
<td>8,257</td>
<td>3.1</td>
<td>4,259</td>
<td>4.3</td>
</tr>
<tr>
<td>Black Women</td>
<td>1,229</td>
<td>1.1</td>
<td>45,195,054</td>
<td>1.4</td>
<td>6,586</td>
<td>1.4</td>
<td>3,154</td>
<td>1.1</td>
<td>1,744</td>
<td>1.7</td>
</tr>
<tr>
<td>Eskimo Men</td>
<td>0</td>
<td>.0</td>
<td>0</td>
<td>.0</td>
<td>3</td>
<td>.0</td>
<td>3</td>
<td>.0</td>
<td>1</td>
<td>.0</td>
</tr>
<tr>
<td>Eskimo Women</td>
<td>0</td>
<td>.0</td>
<td>0</td>
<td>.0</td>
<td>0</td>
<td>.0</td>
<td>0</td>
<td>.0</td>
<td>0</td>
<td>.0</td>
</tr>
<tr>
<td>Hispanic Men</td>
<td>2,598</td>
<td>2.3</td>
<td>78,573,394</td>
<td>2.5</td>
<td>11,593</td>
<td>2.5</td>
<td>6,419</td>
<td>2.4</td>
<td>2,738</td>
<td>2.8</td>
</tr>
<tr>
<td>Hispanic Women</td>
<td>909</td>
<td>.8</td>
<td>43,981,609</td>
<td>1.4</td>
<td>5,045</td>
<td>1.1</td>
<td>2,334</td>
<td>.8</td>
<td>1,174</td>
<td>1.2</td>
</tr>
<tr>
<td>Pacific Islander Men</td>
<td>165</td>
<td>.1</td>
<td>4,966,022</td>
<td>.1</td>
<td>254</td>
<td>.0</td>
<td>177</td>
<td>.0</td>
<td>39</td>
<td>.0</td>
</tr>
<tr>
<td>Pacific Islander Women</td>
<td>23</td>
<td>.0</td>
<td>182,814</td>
<td>.0</td>
<td>69</td>
<td>.0</td>
<td>37</td>
<td>.0</td>
<td>23</td>
<td>.0</td>
</tr>
</tbody>
</table>
Also, included in the aforementioned contracts are 2,722 Joint Venture (JV) awards with related fees of $368.0 million. The ethnic and gender distribution of these awards and percentage of all JVs are: American Indian men JVs received 18 contracts (0.7%) with related fees of $18.4 thousand (0.005%) and American Indian women JVs received 1 contract (0.04%) with related estimated fees of $5.3 million (1.4%); Asian men JVs received 22 contracts (0.8%) with related estimated fees of $0.7 million (0.2%) and Asian women JVs received 3 contracts (0.1%) with related estimated fees of $29.4 thousand (0.008%); Black men JVs received 155 contracts (5.7%) with related estimated fees of $41.9 million (11.2%) and Black women JVs received 154 contracts (5.7%) with related estimated fees of $11.0 million (3.0%); Eskimo men and women JVs have not received a contract; Hispanic men JVs received 99 contracts (3.6%) with related estimated fees of $85.3 million (23.2%) and Hispanic women JVs received 47 contracts (1.7%) with related estimated fees of $4.7 million (1.3%); Pacific Islander men JVs received 72 contracts (2.7%) with related estimated fees of $3.6 million (1.0%) and Pacific Islander women JVs have not received any contracts; non-minority men JVs received 1,310 contracts (48.1%) with related estimated fees of $138.8 million (37.7%) and non minority women JVs received 841 contracts (30.9%) with related estimated fees of $76.8 million (20.9%).