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NATIONAL CAPITAL MANAGEMENT

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April 10, 2009

VIA EMAIL
LLPComments@FDIC.gov

Chairman Sheila Bair
C/O Mr. Robert E. Feldman, Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, N.W., Washington, DC 20429

Re: ***Comments to the Federal Deposit Insurance Corporation's ("FDIC") Legacy Loan Program***

As a company with years of experience in purchasing distressed assets from FDIC insured institutions and non-regulated financial firms, we greatly appreciate the opportunity to comment on the FDIC's recently announced Legacy Loans Program (the "LLP"). We offer these comments with the intention of assisting the FDIC in structuring the LLP to maximize the benefits realized by participating FDIC member institutions; to minimize the government's exposure to losses; and to maximize the return on investment realized by investors in participating Public Private Investment Partnerships.

Our principal comment relates to the types of assets to be offered at auction under the LLP. We also wish to comment on bundling assets to maximize auction prices while preserving investor value in the auctioned assets.

The FDIC's first request for comment asks *"which asset categories should be eligible for sale?"* and whether the FDIC should *"focus only on legacy real estate assets?"* While we agree that legacy real estate assets should be a primary focus of the LLP, targeting only these assets in the initial phase of the LLP misses an opportunity to directly, immediately and positively impact the balance sheets of participating institutions. A substantial number of FDIC member institutions continue to own charged-off consumer debts, even though these institutions must generally value these assets at zero for regulatory capital purposes. Including charged-off consumer debts in the category of assets eligible for auction under the LLP, will assist institutions to convert these assets into cash. All cash (net of applicable taxes) generated by the sale of charged-off consumer debts with a zero basis for regulatory purposes will be directly applied to the capital position of the selling institution. Since the auction will generate cash while increasing regulatory capital, institutions will be more likely to participate and fewer auctions will fail. Broadening the types of assets auctioned will also increase the number of purchasers interested in participating in the LLP. By expanding the category of assets eligible for auction to include charged-off consumer debts, the FDIC captures the opportunity to directly, immediately and positively enhance the capital position of participating member institutions while simultaneously reducing the risk of failed auctions and increasing the pool of potential investors in the LLP.

Immediate, Direct and Positive Impact to a Selling Institution's Balance Sheet

Converting charged-off consumer debts into cash will generate an immediate, direct and positive impact on the balance sheet of the selling institution. Many charged-off consumer debts continue to produce cash flow even though the institution has completely written-off its value as an asset for regulatory purposes. Any asset that generates cash flow has a determinable value for which there is a buyer. For over ten years, we have purchased cash flowing charged-off consumer debts from numerous member institutions who understand that an immediate injection of cash can be more valuable on a risk adjusted basis, than collecting the cash over time. Assisting member institutions to enhance their capital positions is the central goal of the LLP. By expanding the category of eligible assets under the LLP to include charged-off consumer debts, the FDIC will assist member institutions to enhance their capital positions through converting assets with no value (from a regulatory perspective) into assets that directly and immediately increase capital.

Reduced Risk of Failed Auction

The paramount goal of the LLP and its sister program focused on legacy securities, is to stabilize and enhance the balance sheets of participating institutions. Charged-off consumer debts are the quintessential low hanging fruit of all of the toxic assets on the books of member institutions. The auction of charged-off consumer debts can only positively impact an institution's balance sheet. Though it may be necessary, the sale of legacy real estate loans that have not been charged-off can negatively impact the participating institution's balance sheet. If the auction price turns out to be less than the value at which the institution carries the asset, the institution must either sell the asset recognizing a reduction in its capital or reject the sale. Consequently, many institutions will be unable or unwilling to risk the consequences of reducing their capital and will reject auction results. With the auction of charged-off consumer debts there is no risk of an immediate reduction in capital. Since these assets are carried with no value, the sale of the asset can only result in an increase to capital.

Including these assets in the initial phase of the LLP will allow the FDIC and member institutions to participate in the auction process without risking the consequences of failed auctions or successful auctions resulting in substantially reduced capital levels. Ultimately, assets other than charged-off consumer debts will need to be sold. However, beginning with the low hanging fruit will undoubtedly facilitate the participation of member institutions and produce successful auctions benefitting investors and participating institutions alike.

Increasing the Pool of Investors

The aggregate amount of charged-off consumer debt at FDIC member institutions is estimated to be at least $128.5 Billion[1]. The monetization of these assets could potentially increase the capital position of the selling institutions by at least $6.4 Billion[2]. Including charged-off consumer debts in the category of assets that will be auctioned in the LLP will increase the numbers and types of investors participating. Expanding the asset category to include charged-off consumer debts will entice companies such as ours who specialize in evaluating and purchasing distressed consumer debt. There are at least 50 companies, including ourselves,

[1] Based upon the aggregate amount of charged-off loans to individuals for years ending 2005 through 2008 for All National Institutions as reported by the FDIC, for years ending 2005-2008.
[2] Based upon a blended purchase price of $.05. Actual auction prices will vary depending upon many factors, not the least of which will be the leverage terms proposed by the FDIC for a particular pool of assets.

that have the capacity to purchase substantial amounts of charged-off consumer debts from member institutions. Most of these companies will not participate in the LLP unless charged-off consumer debts will be auctioned. In addition, we expect that pools of new investors will be formed to purchase these assets. Focusing on a single asset class such as real estate limits the number of potential investors, while auctioning multiple types of asset classes will encourage more bidders to participate.

Pooling Like Assets Maximizes Value

If the FDIC were to include charged-off consumer debts in the LLP we believe these assets should be pooled into distinct categories that maximize pricing. We believe the best pricing can be obtained by categorizing pools of assets along discernable lines that are recognized by investors. For example, in the charged-off consumer debt market enhanced pricing can be obtained if assets are segregated by attributes that investors will use in their risk-based models - while not a complete list some of these factors include: loan product base (secured versus unsecured revolving versus closed-end), default based (time since charge-off, bankruptcy status of debtor) and availability of information (loan documentation and payment history). The best categorizations will be determined over time. The FDIC should remain flexible and continue to seek input from qualified bidders as to the appropriate pooling of asset categories, overall pool size and other factors affecting auction pricing.

Ownership Disclosure

The identities of direct investors in PPIFs should be made publicly available. However, since many direct investors will be pools of investors investing through partnerships, limited liability companies or similar structures, such entities should only be required to publicly disclose their general partners, managers, directors and officers and any persons or entities that own directly or indirectly 10% or more of such partnership, limited liability company or similar entity.

Thank you for your consideration of these matters. If you have any questions on the comments raised in this letter please contact Thomas B. Romer, of Brownstein Hyatt Farber Schreck, LLP at 303-223-1100 or myself at (901) 435-7014.

Sincerely,

Andy Marr, CEO
National Capital Management, LLC

Formed in 1996, National Capital Management, LLC (NCM), purchases bankruptcy-impaired and charged-off consumer debt (secured and unsecured) from a variety of national and regional lenders (typically banks, finance companies and thrifts) and traditional accounts receivable management (ARM) firms. Privately-held NCM ranks among the top acquirers of bankrupt-impaired consumer debt in the United States. In its ten year operating history, NCM's proprietary pricing model and sophisticated technology infrastructure for servicing have resulted in the acquisition and management of approximately 350,000 consumer loan accounts and over $1 billion in outstanding balances.