



April 10, 2009

Robert E. Feldman
Executive Secretary
Attn: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

RE: Comments on the Legacy Loans Program

We applaud the recent establishment by the U.S. Treasury Department and the Federal Deposit Insurance Corporation of the Legacy Loan Program to remove troubled loans and other assets from banks. The partnership of the federal government with the private sector, if done correctly, will ensure disciplined pricing mechanisms, as well as shared public and private risk and potential for profit.

While we recognize the potential in the Public Private Investment Program (PPIP) and in particular the Legacy Loan Program, we are concerned that as currently contemplated the program will only allow for large investor participation. The FDIC has asked for comments on a number of issues; however, our comments focus primarily on the following questions posed:

How can the FDIC best encourage a broad and diverse range of investment participation?;

What type of auction process facilitates the broadest investor participation? Should we require investors to bid on the entire equity stake of a PPIF (Public Private Investment Fund), or should we allow investors to bid on partial stakes in a PPIF?;

What are the optimal size and characteristics of a pool for PPIF?

In order for the FDIC to ensure broad participation in the PPIP program, we believe that the program thresholds must be substantially lowered. As currently contemplated, only investors with \$10 billion in existing assets may directly participate in the program. Not only does this limit the number of participants, but it hinders the ability to properly price the assets. There are many small investors, such as National Asset Direct, Inc., that have direct experience in pricing, purchasing, and servicing distressed assets. This niche expertise will not be brought to bear on the PPIP program as a result of the asset threshold, as well as other requirements, including the due diligence requirements and the likely size of the loan pools.



We urge Treasury and FDIC to substantially lower the asset threshold to ensure broad participation. In addition, the requirement to conduct due diligence with no ability to finance the diligence activities through the program means that only large firms who can risk millions of dollars in the bidding process will take part in the auctions. Our firm, National Asset Direct, Inc., would like to participate in auctions, however, the cost of due diligence on large loan pools will be prohibitive. For example, on a pool of \$1 billion in assets, we estimate that due diligence alone will cost over \$1.5 million. While a smaller investor may be able to risk that amount to bid on one pool of loans, they would not be able to spend that many times over.

Given the financial constraints of smaller investors, we urge you to consider auctioning off smaller pools of loans or partial pools, if this can be done seamlessly. This will allow greater participation, helping to correctly price assets, a critical need in the program.

Changes to allow a broader range of investors not only ensures proper pricing and auction terms, but it will open access to special servicers who can use their expertise to assist borrowers. As currently contemplated, the sale of loans will mean no change to borrowers who are in distress. Investors and special servicers like National Asset Direct, have a track record of servicing loans in ways that help keep borrowers in their homes or help them achieve a soft landing if the home is unaffordable. We do not believe that specific servicing platforms should be mandated under the PPIP program, but we urge you to consider the end-user as you formulate requirements in the Legacy Loan Program. Merely transferring assets to large investors may not have any impact on homeowners. Through the Legacy Loan Program, the FDIC and Treasury could use small, innovative servicers, such as National Asset Direct, and others that have experience servicing severely distressed loans. This broad participation will lead to the best outcomes for the taxpayer, the investors, and the borrowers.

Thank you for your consideration of our comments. We stand ready to work with you to make PPIP successful.

Sincerely yours,

A handwritten signature in blue ink, appearing to read 'JK', is written over the typed name 'Jeffrey Kaplan'.

Jeffrey Kaplan
President and Chief Executive Officer