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BLACKHAWK STATE BANK
301 4th Street West
Milan, Illinois 61264

August 29, 2006

Robert E. Feldman, Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

Dear Mr. Feldman:

I wish to respond to the applications for deposit insurance by Industrial Loan Companies that might be owned by a commercial firm. I am opposed to the granting of deposit insurance to such companies.

Unlike most bankers, I am not a finance major, nor do I have an M.B.A. In fact, I am a history major. I have, throughout my forty some years in the profession, used my history background with great success in analyzing historical trends within our industry.....and with the economy, both domestically and internationally.

As a student of history, I have always been impressed with the series of events, some by chance and some by design, that led to the great country that we have today. In our early days, there was no concentration of economic power. The founders of our country even rebelled against centralized power as they threw off the tyranny of King George of England. They granted many powers to the states and reserved others for the Federal Government. In those early days, a man could fail in Virginia and later move to Kentucky where he could start a whole new life and enter most any new business venture. With him came bankers who could loan money to start up his new venture in his new area. These bankers came with a spirit of wanting to develop a new territory, and they prospered only if the area prospered.

From an historian perspective, I have also been impressed, or should I say worried, about the implications of growth of the National Socialist Party (Natzis) in Pre-World War II Germany. There, and at that time, banks and commercial companies combined with government and labor to form industrial and financial giants that supported the political leader (Adolph Hitler) who in turn supported the intermixing of banks and commercial companies. There was no separation of powers because all were working for the same goals together. The financial/commercial complexes came to depend upon the

government and the government came to depend upon the financial/commercial complexes, and each owed its power to the other.

For some many years, I have been concerned about the elimination of competition in our country. CitiCorp is an example of the potential for elimination of competition and the consolidation of economic power....investment banking, commercial banking, merchant banking, insurance, etc. all rolled into one. And now some propose to allow Commercial Companies to enter the financial fields through Industrial Loan Corporations. The continued consolidation of economic power into fewer and fewer hands will ultimately lead to the demise of small businesses, small farmers and yes, small bankers such as me. Karl Marx wasn't all wrong....the control of economic units, be it cities or states or even countries, comes from the control of the holders of the financial and commercial assets of those units. In other words, he who controls the economic fabric of a community can control the destiny of that community. And, as you consolidate that power into fewer and fewer hands (ie. allowing commercial firms to enter financial businesses), the ability of the small businessman, the small farmer and the consumer to compete is lessened.

Clearly, the risks to safety and soundness of the financial system would be increased. Should a large commercial firm (not regulated by F.D.I.C.) that owned an ILC begin to fail, it would undoubtedly reach into the coffers of its financial subsidiary. When would it be too late to stop that reach? And how soon would the F.D.I.C. know that the reaching was going on?

The risks to the F.D.I.C. Insurance Fund are real. Without examination of the commercial entity, the exact soundness of the combined organization cannot be known by the F.D.I.C.

I do not believe that conditions can be imposed upon a commercial company that will allow adequate protection for the Insurance Fund in the event of a default by the Commercial Company. The commercial company can easily say that they are regulated by the FTC or the SEC or any other government agency. Does any reasonable person believe that the SEC or the FTC or similar will sit back and say that the F.D.I.C. can have regulatory control over one of "their companies?" Without this, reaching down into the coffers of the ILC would be pretty easy for the commercial entity that is having financial difficulty. All of this is to the potential detriment of the Insurance Fund.

ILCs owned by a commercial company would have a competitive advantage over other insured depository institutions. Depository accounts of its employees could be directed to the ILC. If the commercial company is large enough, it could be deemed to be "Too Big to Fail," just as the major commercial banks have become. The large commercial company would carry its ILC with it in being "Too Big to Fail."

Please don't allow this crossover of commercial companies into the financial sector. Learn from history....consolidation of economic power into fewer and fewer hands will eventually lead to the demise of small businessmen, small farmers, consumers, and yes, even small bankers such as me.

Very truly yours,

W. Gerard Huiskamp
President