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By

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

RESPONSE TO THE FDIC NOTICE AND REQUEST FOR COMMENT REGARDING ILC'S

Over history the laws of this great nation have been a dichotomy of changes in extremes, from being uncivilized and no laws and execution without trial, to due process and a model judicial system. From slavery to equal opportunity and affirmative action, and from drinking while driving to major fines and punishment for drinking before or while driving to name a few examples. All obviously were changed for good reasons, and thankfully, the common sense of our great society prevailed.

What that tells us, is that we tend to change slowly and evolve over time, to the causes and effects or the unintended consequences of our actions, until we reach a point where the human spirit is broken, and changes in the law occur, not because we could categorically define the reasons, but because truth prevailed in the argument over right and wrong.

So begins the debate regarding Industrial Loan Companies and Industrial Banks or ILC's. We know from history that the mixing of banking and commerce has great potential for economies of scale and tying that can lead to greater profits, and savings. But also, it can lead to disastrous consequences, and may go without recourse for long durations before being detected. Examples of corporate greed and cover-up are a part of our great American landscape if we look back at Bert Lance, Jake Butcher, Enron, and Long Term Capital Management just to name a few.

So history has taught us that we cannot mandate good judgment, we can pass laws and regulations, but those who intend to use their positions for financial gain may detour them, and can create tremendous consequences to our society. We can look in hindsight at the unintended consequences of lifting Reg U that led to the S&L bailout of the 80's at a tremendous cost to taxpayers, the aftermath of which still lingers today, with the recent merging of the SAIF and BIF funds. That reminds us that even well intended changes to our laws and regulations may cause irreparable harm.

RESPONSE TO THE FIDC NOTICE AND REQUEST FOR COMMENT REGARDING ILC'S

One must then ask the obvious question, for what possible reason would we even consider further opening of the loophole that is now driving many of the largest of retailers to form ILC's? Why would we ignore all of the history, all of the costs to the U.S. taxpayers, all of the thousands of people who lost their life savings to the likes of Charles Keating, and simply say, hey, let's take a look at opening the ILC loophole so that the large foreign and domestic firms can merge their commercial business with banking just to see if it will work.

To even consider allowing further ILC's after Congress mandated clearly the separation of banking and commerce not just with Glass-Steagall in 1933, but more recently with Gramm-Leach-Bliley or GLB in 1999, after hundreds of hours of debate and reviewing the history of our inadequacies whenever the merging of banking and commerce did occur.

To think that the potential of a Walmart, who is larger than the three other largest retailers combined with over $260 Billion in retail sales, 70% of which is derived from products made in China, and, who potentially could control the banking system of the United States of America, by having the ability to control the electronic payment system and the majority of the clearings is unconscionable. This is not surreal, as Walmart's goal is to build sales to 30% of GNP in the next five years. If they account for 30% of sales other than real estate and automobiles they will create a systemic risk to the whole of the greatest financial system the world has known.

<u>I would pose this question; if commercial banks were asking the FDIC and Congress for a regulatory change to allow them to own a commercial business and to be allowed to do so without being regulated at the holding company level, would there even be a debate?</u>
I think not, current banking laws answer that question, and this debate would never have begun.

Why is it being debated now? Especially given the fact that ILC's were chartered in the early 1900's as <u>small loan companies for industrial workers.</u> It gives one the sense that what the largest commercial businesses are doing, is using the ILC loophole as simply a way to circumvent the proven structure of Americas banking system to their advantage, and without regard to what history, and Congress has already proven is a mistake..

This debate needs to end with the common sense of the FDIC the Congress of the United State of America and the think tanks in Washington D.C. on behalf of the American people, the taxpayers, who have had to bailout our country for the mistakes of the past, and in these current economic times, or for that matter any other, can ill-afford to do so again.

Sincerely

James D. MacPhee
CEO