



October 10, 2006

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

Dear Mr. Feldman:

On behalf of the state officials who license and regulate state chartered banks, we are offering the following comments on the FDIC's Notice and Request for Comment regarding Industrial Loan Companies and Industrial Banks. The notice clearly states the history of the charter, significant legislation, and the regulatory oversight structure.

Within the dual banking system, the state banking system contributes creativity, experimentation, diversity and choice, all of which enhance local economic development, competition and flexibility. ILCs are an excellent example of the spirit of creativity and experimentation embodied by the state banking system. Congress has acknowledged the benefits of the ILC charter and has both limited the states authorized to issue charters, while allowing the number of charters to grow.

There are currently 61 ILC charters operating in seven states. The vast majority of existing ILCs are financial companies that have options other than the ILC charter, including federal options. ILCs are subject to the same banking laws and regulations as other depository institutions. They are well supervised and examined by the states that charter them as well as by the FDIC.

When evaluating a charter application, many state supervisors consider the impact on competition. This analysis seeks to determine that new entrants into the marketplace will not have an impact upon existing financial institutions that would result in serious financial problems or even institutional failure. The banking industry is highly competitive, with a very high number of new bank charters in numerous states as well as competition from nationwide institutions. The competitive implications of the ILC charter are complex. It is critical that we understand the implications of the retail component of our economy looking to expand into traditional banking. This is part of the ongoing debate about the mixing of banking and commerce, which would most immediately impact the largest banking organizations and in the long-term, potentially harm the community banking system. As state supervisors, we know that these institutions drive the economic success of local communities.

CONFERENCE OF STATE BANK SUPERVISORS

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We believe the FDIC is appropriately evaluating the developments in the ILC industry and the potential impact on the U.S. banking system. We look forward to working with the FDIC and the Congress on a reasonable and responsible approach which serves our citizens and communities.

Best regards,

A handwritten signature in black ink that reads "Neil Milner". The signature is written in a cursive style. To the right of the signature is a vertical red line.

Neil Milner
President & CEO

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