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September 15, 2005

Federal Deposit Insurance Corporation
San Francisco, Regional Office
Director Johns F. Carter
25 Jessie Street at Ecker Square
Suite 2300
San Francisco, California 94105

Dear Director Carter:

On behalf of myself, my bank, and my directors and also representing the 125 member banks of the Community Bankers Association of Alabama, I strongly, urge you to reject the application by Wal-Mart Stores, Inc. to charter an industrial Loan Company bank in Utah. The barrier between Banking and Commerce has played an integral part in the safety and soundness of the banking system and in maintaining a healthy U.S. economy. This barrier has been reinforced by Congress representing the American people.

In this fast moving age we are living in, with the ups and downs of our economy, it is important that Community Bankers stay closely attuned to current and emerging risk issues. Statistics show the typical community bank needs to spend 3 to 5 cents more than its large-bank counter part to generate one dollar of operating revenue. That difference is material.

Allowing a commercial or financial firm to operate a full-service nationwide FDIC insured bank, outside the framework established by Congress for the other owners of insured banks raises significant safety and soundness concerns, creates an unlevel competitive playing field and poses important questions to the Congress concerning the Nations policy of maintaining the separation of Banking and Commerce.

Because of Industrial banks more-open ownership policy, Wal-Mart Stores Inc, the so-called category killer because it tends to crush competition, has tried to get into the banking business by buying an ILC. The future of the community banking industry could be at stake. The systemic risk posed by a Wal-Mart bank would be enormous. With a branch of Wal-Mart Bank in every store, small bankers plead with Congress to spare them the fate of mom-and pop hardware and variety stores, which were strangled by Wal-Mart.

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In 1999 Congress ended Wal-Mart's attempt to buy a unitary thrift in Oklahoma by prohibiting commercial companies from owning such a firm. In 2002 the California legislators blocked Wal-Mart's acquisition of a state bank by enacting a law preventing non financial firms from buying I.L.C's. Recently that states legislature has turned Wal-Mart down again.

Please don't go down the slippery slope allowing them a charter which they can then revise allowing them entry into banking directly competing with community banks in every town where they have stores across the country. We have seen what they have done to Main street America closing down numerous mom and pop stores, and small businesses buying in such large quantities to get substantially cheaper prices which then allows them to sell for a profit at approximately the cost the small operator pays for the product putting the small operators out of business. They will be able to use similar tactics if they get into banking. Pricing loans lower and deposits higher while still making a profit because of volume.

Are you going to allow Wal-Mart the opportunity to price community banks out of the markets, eliminating the engine for economic growth in the community, causing the eventual demise of community banks, communities, the dual banking systems, putting in peril the F.D.I.C. insurance fund, creating another monstrous "Too Big to Fail" bank with no real control over the parent company? I don't think you should go there. There are a lot of good reasons for not allowing one giant entity to control a major part of the payment system.

As the industry becomes more concentrated, do these institutions have the kind of risk management – do they have the business contingency plan? If it should roll off significantly, can it bring itself back on track and can we in a timely way influence that bank? With size and complexity goes a challenge both for the managers of the company and the regulators.

Giant banks have enormous public policy implications. The trillion dollar bank that eventually could result from this charter will be Too big to fail and will pose a systemic risk to the F.D.I.C. Insurance Fund. Evidence shows that increased concentration in the banking industry has not benefited bank customers and has not had a positive effect on the convenience and needs of the communities served by the acquired banks.

An example of unbridled economic concentration, it would represent a dangerous and unprecedented concentration of economic power.

In our town when Wal-Mart came in we lost our Ben Franklin 5 and 10 store, Bill's dollar store, White's Auto Store, Otasco Store along with some others. We have several

that are hanging by a thread and probably eventually will go out. Main street has numbers of empty store fronts as does many other rural towns across America. At the present time, with a population of four thousand people in our town, aprox. 1,000 are under the legal age to transact business (19) and an additional 1,000 over 55 and having no need to borrow, only save, that leaves 2000 people most of whom are married to one another leaving aprox. 1,200 households, with four banks and a credit union competing for their business. Loan Deposit ratios are from 30%-50% for the community banks. How much lower would a Wal-Mart bank drive them down? How much higher rates could they pay on deposits with their volume and other ways of covering their over head and other sources of income? Would they run their banks at cost til they drove the competition out similar to how they sell their gas at cost and drive the 7-11 stores out of business? These are a lot of really good reasons for not allowing Wal-Mart into banking. There are a lot of really good reasons for not breaking the barrier between banking and commerce. For instance, look at what happened in Japan, Germany, Spain and Argentina when they broke the barrier between banking and commerce!

Thank you for the opportunity to comment. Hopefully you will prayerfully consider this application and follow the path of maintaining a strong barrier between banking and commerce, keeping a strong community banking complex to serve Main Street Americas financial needs.

Sincerely,

BANK OF VERNON

Sam F. Johnson

Sam F. Johnson
President