



August 14, 2006

**MEMORANDUM TO** The Board of Directors

**FROM:** Sandra L. Thompson  
Acting Director  
Division of Supervision and Consumer Protection

Douglas H. Jones  
Acting General Counsel

**SUBJECT:** Notice and Request for Comment Regarding Industrial Loan  
Companies and Industrial Banks

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## RECOMMENDATION

Staff recommends that the Board adopt and issue the attached Notice and Request for Comment regarding Industrial Loan Companies and Industrial Banks (Notice) and authorize its publication in the *Federal Register*, with a forty-five day period for public comment. The request for comment is in connection with the FDIC's intent to seek public input concerning issues related to industrial loan companies and industrial banks (collectively, ILCs) during the six-month moratorium on applications for deposit insurance by proposed ILCs and on notices of change in control for existing ILCs.

### I. BACKGROUND

On July 28, 2006 the Board approved a six-month moratorium on applications for deposit insurance by ILCs, as well as on notices of change in control for existing ILCs. The purpose of the moratorium is to preserve the status quo while the FDIC evaluates (i) industry developments, (ii) the various issues, facts, and arguments raised with respect to the ILC industry, (iii) whether ILCs pose any increased risk to the deposit insurance fund, or whether there are emerging safety and soundness issues or policy issues involving ILCs, and (iv) whether statutory, regulatory, or policy changes should be made in the FDIC's oversight of ILCs in order to protect the deposit insurance fund or important Congressional objectives. A notice of the imposition of the moratorium was published in the *Federal Register* on August 1, 2006. 71 Fed. Reg. 43482 (August 1, 2006)

The notice of the moratorium expressed the FDIC's intent to seek public input on the issues and concerns raised with regard to the ILC industry. Staff believes that public participation may provide valuable insight into the issues presented by recent trends and changes in the ILC industry, and will assist the FDIC in deciding how to respond to those issues. Therefore, staff recommends that the Board approve publication of the attached Notice.

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Attachments:

Resolution  
Federal Register notice