



October 10, 2006

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, D.C. 20429

ATTN: Comments

Re: Industrial Banks

Dear Mr. Feldman,

The purpose of this letter is to respond to the request to provide comments on the questions raised by the FDIC on August 29, 2006 concerning industrial banks, or industrial loan companies ("ILCs"). We appreciate the opportunity to respond to these important questions. Rather than answer the FDIC's questions individually, please accept the following general comments that we believe address the relevant issues.

In our opinion, recent developments have altered the relative risk profile of ILCs as compared to other depository institutions. ILCs have become stronger and better managed because of the recent scrutiny placed on them. They pose less risk to the FDIC Insurance Fund because they generally maintain higher capital ratios and are more profitable than traditional banks. Also, because of the regulatory scrutiny, many ILCs, including CIT Bank, receive many services for free or at a significantly reduced cost from their parent companies. ILCs are adequately regulated and the FDIC and state regulators have done an excellent job of only approving charters with sound business plans and strong parent companies. Several ILC applications have been denied because they did not meet these tests.

We believe that current regulations are adequate to maintain the safety and soundness of ILCs. We do not believe that consolidated Federal supervision will add any additional protection to the safety and soundness of ILCs. The FDIC should continue to assess any financial institution based on CAMELS rating criteria.

The FDIC should not routinely place certain restrictions or requirements on all or certain categories of ILCs or any other type of financial institution. Arbitrary restrictions would only restrict credit and reduce competition within the banking industry. Any limitations should be based on safety and soundness issues and compliance with rules and regulations. Industrial banks are innovative, thriving businesses that provide significant

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financial services. There is no reasonable basis for placing arbitrary restrictions on industrial banks versus other financial institutions.

Moreover, all industrial banks are subject to the limitations on covered transactions imposed by Sections 23A and 23B and the anti-tying laws. Careful review of the business plan, potential covered transactions, compliance with Sections 23A and 23B, and the anti-tying laws should continue to be scrutinized in any *de novo* bank application or change in control process. Any business plan that is not feasible or conflicts with the public interest should continue to be disallowed by the FDIC. We continue to believe the current controls to regulate affiliate transactions and avoid conflicts of interest are adequate.

Of course, the FDIC can, on a case-by-case basis, place restrictions on owners and affiliates of industrial banks. This will continue to help ensure the safety and soundness of the industry. The FDIC also has the ability to control new charters during the application process and through examination recommendations enforceable through a variety of prompt corrective actions already at the disposal of the FDIC. The FDIC can also place restrictions on owners and affiliates and banks themselves that will help ensure that the banks serve the public's needs and convenience.

In sum, we firmly believe that ILCs are healthy and operating in a safe and sound manner. Companies that own ILCs often have several thousand employees with offices in several states and foreign countries, and these companies contribute significantly to the U.S. economy and various state economies as well.

Thank you again for allowing us the opportunity to provide these comments.

Very truly yours,

CIT Bank

By: 
Richard P. Lake
President & CEO