

**AMERICAN HERITAGE BANK**

An American Institution Since 1905

October 6, 2006

John Dugan
Comptroller of the Currency
Fax # 202-874-4950

RE: Wal-Mart Bank Application

Dear Mr. Dugan:

I am writing to express my opinion regarding Wal-Mart establishing an industrial loan company and obtaining federal deposit insurance. Our bank is a 101 year old community bank which has operations in ten small towns and has approximately \$500 million in assets.

It is our strong opinion that Wal-Mart's entry into banking would push us out of banking. It appears Wal-Mart is attempting to exploit a loophole in the Bank Holding Company Act to get into full-service banking.

This would lead inexorably to less competition in banking in the long run. Just look at small towns all over America, where Wal-Mart presently controls virtually all retail business, and now wants to obtain financial services. Wal-Mart's entry into banking means less competition, not more.

A hallmark of our country has always been widespread disbursement of ownership, whether it relates to housing, land or business. A hallmark of our country also includes numerous competitors in most lines of business. In this case, an inevitable result would be less competitors and a huge concentration of power and wealth in one company. In many communities Wal-Mart will be about all that is left.

Additionally, I believe numerous conflicts of interest are inherent in this situation, in that Wal-Mart would be less likely to loan much money to retail businesses with whom they compete. Why would Wal-Mart help its competitors? Who will be left to finance Wal-Mart's competitors?

There is excellent access now to financial services almost everywhere throughout America, and this could diminish noticeably if Wal-Mart is allowed to own an ILC, because the number of banks in existence will be dramatically reduced. There is no public benefit in this eventuality.

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Community banks are at an extreme competitive disadvantage to Wal-Mart since banks cannot own a commercial enterprise and thereby can not have other sources of revenue such as Wal-Mart has. The combination of having to compete with tax-exempt enterprises such as Credit Unions and also to compete with Wal-Mart would place us in an untenable situation. Prepare yourselves for a mass exodus of banks, as well as many more bank failures.

The risk to federal deposit insurance is not insignificant as thousands of banks would be eventually run out of business or wither and die. This is not in the best interest of safety and soundness. The FDIC should limit ILC ownership to financial companies only.

It only stands to reason that if Wal-Mart is allowed into banking, banks should be allowed to sell groceries and hardware, etc. This would be a huge departure from our present banking structure and would greatly challenge the bank regulatory capability.

It is clear that the American model of banking and commerce has been effective – numerous competitors, few bank failures, clear lines for regulators, no hidden loan losses, minimal conflicts of interest, excellent and reliable service. In fact, it has worked well for nearly 75 years. The Japanese system and others like it, with no wall between commerce and banking, have not fared nearly as well.

Capitalism is a great thing and an absolute necessity, but not all versions of it are good. Laissez faire capitalism, oligopoly capitalism, and even dog-eat-dog capitalism are seldom good for America. Teddy Roosevelt recognized this 100 years ago as evidenced by the Standard Oil break-up. Franklin Roosevelt had to deal with a banking collapse, partially caused by interlocking ownership and no wall between banking and commerce.

Now we are at another pivotal moment regarding how our economy will function. Please make the right decision.

Thank you for your consideration.

Sincerely,

Guy L. Berry
President