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October 6, 2006

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

Dear Mr. Feldman,

On behalf of the International Franchise Association (IFA), and in response to the request by the FDIC, below are comments on whether certain industrial loan companies and industrial banks (ILCs) pose great risk to the Federal Deposit Insurance Fund (FDIC). We are pleased to have the opportunity to contribute to this timely discussion.

Established in 1960, the mission of the IFA is to safeguard the business environment for franchising worldwide. In March 2004, PricewaterhouseCoopers completed an IFA-commissioned study on the economic impact of the franchising sector in the U.S. The results were surprising: The nation's more than 760,000 franchised businesses generate jobs for more than 18 million Americans (nearly 14 percent of the nation's private-sector employment, or one in seven of the private sector jobs) and account for \$1.53 trillion in economic activity (9.5 percent of the private-sector economic output). IFA represents over 75 industries that utilize the franchise model for distribution of products and services, ranging from familiar restaurants and hotels to lawn care, tax preparation, personnel services, and movers.

Along with the FDIC and state banking regulators, which have well provided ILCs with the guidance to maintain the security of the banking system, ILCs' parent companies have provided a diverse base of financial support. While ILCs can and have served more market niches than traditional financial service companies, determining whether certain types of ILC parent companies will or do inherently increase the risk borne by the FDIC is a valid and important question. At the heart of this question is whether commercial firms should be restricted from owning ILCs. Inherent in the question is the possibility of restricting or prohibiting commercial entities from owning ILCs. The IFA contends that the existing statutes, regulations and policies are sufficient for the FDIC to resume considering each proposal on its merits. In particular, the IFA holds that if a proposed ILC strategically fits its applicant, has a workable business plan and adequate financial resources, then the FDIC should approve the application.

To allow ILCs to continue to offer innovative services to consumers and businesses, the IFA believes that the present regulatory environment should remain unaltered. The FDIC should continue to evaluate ILC proposals from all applicants, approving those that demonstrate their successful meeting of the existing regulatory guidelines.

Sincerely,

David French
Vice President, Government Relations