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VIA ELECTRONIC SUBMISSION

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

Re: Request for Comments Concerning Industrial Loan Companies and Industrial Banks

Dear Mr. Feldman:

Pierce Atwood, LLP welcomes the opportunity to submit this letter in response to the FDIC's request for comments concerning industrial loan companies and industrial banks (collectively, "ILCs").

Pierce Atwood has many clients that are interested in the issues raised in the FDIC's request for comments. Many of these clients are in favor of maintaining the status quo with respect to regulation and ownership of ILCs, including several clients that either are ILCs or own ILCs, and a small number of clients that are potentially interested in acquiring or forming an ILC. We also have many clients that presumably come down on the other side of the issues and may prefer to see changes in how ILCs are owned and regulated. Our intent in filing these brief comments is not to take sides in this debate, but rather to offer some observations that may be lost in the rhetoric of the debate.

A primary concern expressed about ILCs is that they pose undue risk to the Deposit Insurance Fund. Notwithstanding the concerns raised by many commenters about the risks posed to the Deposit Insurance Fund by ILCs (particularly ILCs owned by commercial companies), the FDIC itself appears historically to have taken the position that ILCs pose no greater risk to the Deposit Insurance Fund than other types of financial institutions. Several factors serve to mitigate any such risk, including:

- a requirement that ILCs have independent boards of directors, which serves to prevent undue influence over the ILC by a commercial company parent;

Robert E. Feldman
October 10, 2006
Page 2

- restrictions on inter-affiliate transactions imposed by Sections 23A and 23B of the Federal Reserve Act, which also protect ILCs from undue influence from affiliates;
- regulation and examination by the FDIC and state regulators, including capital requirements, safety and soundness requirements, and Community Reinvestment Act requirements, which are the same as those imposed on all other insured financial institutions; and
- limitations on demand deposits that reduce the risk to the Deposit Insurance Fund (as compared to the types of deposits offered by other insured institutions).

In our experience, ILCs have been well-capitalized, well-managed, and successful, and have not posed risks to the insurance funds that are inherently different from the risks posed by other types of financial institutions.

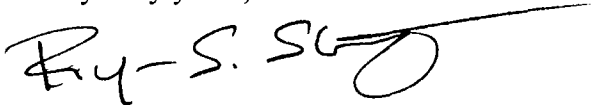
Moreover, ILCs have provided both commercial companies and traditional bank holding companies with efficient, cost-effective means to provide financial services to customers on a national basis. We believe that any change to the current regulatory environment to limit or curtail the availability of ILCs would have negative impacts on customers of ILCs, both in terms of the availability of such services and the costs of such services.

One of the major issues in the debate concerning ILCs appears to be a concern that ILCs provide unfair competition to traditional commercial banks, particularly smaller community banks. While ILCs may compete with commercial banks for customers seeking certain niche products (e.g., credit card accounts, auto loans, mortgage loans, etc.), ILCs do not (and cannot, due to restrictions on deposit product offerings) provide full service banking relationships offered by commercial banks. In our experience, ILCs have not attempted to compete head-to-head with commercial banks.

If the FDIC ultimately concludes that the federal regulators' lack of direct oversight over commercial companies that own ILCs presents legitimate concerns, we would encourage the FDIC and Congress to balance the interests of the commercial companies (and their customers) who benefit from ILCs with the risks posed and seek a middle-of-the-road solution short of strict prohibition against the ownership of ILCs by commercial companies.

We thank you for this opportunity to comment on these important issues. If you have any questions concerning these comments, please do not hesitate to contact me.

Very truly yours,



Ryan S. Stinneford