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October 10, 2006

To: **The Federal Deposit Insurance Corporation**

From: **The Home Depot**

Subject: **Responses to Questions Posed by the FDIC**

In August, the FDIC asked for public comment on twelve questions about industrial loan companies. A common theme running through all of the questions is whether commercial companies should own ILCs.

Because we are not a current owner of an ILC, we can't comment on ILC history and policy in general. Instead, we've focused our comments on the implications of our application on the FDIC's questions. Please consider the following comments:

FDIC questions #2 and #3 asks about unique safety and soundness risks associated with commercial ownership of ILCs.

We can't speak for all companies, but we believe that the risks associated with our application are low.

Today, EnerBank USA operates successfully as a commercially owned ILC. There is no mystery about EnerBank's business model. Since it was chartered in 2002, both the FDIC and state regulators have conducted vigorous regulatory examinations of EnerBank's business. While like any bank, regulators have made comments that have helped EnerBank improve, we are not aware of any safety and soundness issues with either EnerBank's current business or its relationship with its current parent.

In its application, The Home Depot has clearly stated that it intends to facilitate growth of EnerBank's current business. We've proposed a conservative and prudent business plan. We've also committed to retain EnerBank's experienced management team and independent board of directors. As required by law, we will maintain EnerBank's operating independence, and expect EnerBank's management to make decisions in the best interest of the bank.

The Home Depot poses no risk to safety and soundness or the Deposit Insurance Fund. We have an exceptionally strong balance sheet, and maintain an enviable credit rating. We've committed to use our financial resources to maintain EnerBank's capitalization. But equally as important, as required by law, EnerBank will be financially separate from The Home Depot. Apart from the brokered certificates of deposit that EnerBank uses to fund its business, no other assets of The Home Depot would be insured by the Deposit Insurance fund.

While The Home Depot is not subject to consolidated supervision, as a public company under the SEC and Sarbanes Oxley regulations, our financial statements are public information. The FDIC and state regulators will continue to have complete visibility into all aspects of EnerBank's business including any transactions with The Home Depot.

Overall, we would submit that the risks associated with our business plan are low.

FDIC questions #4 and #5 ask how the FDIC should evaluate applications.

The Home Depot recommends that the FDIC avoid using broad generalizations to establish policy. For example, the use of the term "commercial companies" in the FDIC's questions implies that all companies are the same. Whether they are financial or commercial entities, different companies have vastly different market focuses, business scopes and financial characteristics. Similarly, all ILCs are not the same. ILCs have a wide variety of different business objectives and approaches.

The FDIC should evaluate each application on its own unique merit.

FDIC questions #6 and #7 ask whether restrictions should be placed on ILC approvals.

The Home Depot has submitted a specific business plan with its change of control application. Our assumption is that an FDIC approval would be for this specific business plan and any proposed future changes to business scope would need regulatory approval.

FDIC question #8 asks about potential commercial company conflicts of interest.

While ILC opponents have suggested this concern, they ignore the fact that laws exist to eliminate conflict of interest risks. ILCs are required to operate independently of their corporate parent – including establishing and maintaining sound credit policies. And further, tying of loans to purchases from a parent company is illegal under the anti-tying provisions of the Bank Holding Company Act.

EnerBank loans will not be contingent on purchases at The Home Depot. EnerBank will continue to operate with prudent credit policies. The Home Depot has an unwavering commitment to regulatory compliance and will strictly follow all ILC laws and guidelines.

Despite our statements to the contrary, some critics have implied that The Home Depot would break the law because it has a profit motivation. That is an odd comment. Aren't financial companies also motivated by profit? Don't they also have multiple product lines that could be cross subsidized? Yet, there is no issue because financial companies comply with laws and regulations. Similarly, many real estate companies are heavily involved in mortgage loan origination. Despite a theoretical temptation to subvert regulations to sell more homes, real estate companies appear to do an excellent job of complying with lending laws.

Even without the law, from a practical point of view, The Home Depot operates in a highly competitive market. We can't coerce our customers. If they don't believe they are getting the best value from us, they simply go to one of our large or small competitors.

FDIC question #9 asks about unfair competitive advantage.

Some suggest that *large* commercial companies should be prevented from owning ILCs because large companies have scale advantages over small companies, and that small companies should be insulated from large company competition. This public policy argument is a curious one, given the massive consolidation of the banking industry that has already occurred over the last two decades. Based on Federal Reserve March 2006 statistics, the top 10 banks control over 50% of all U.S. bank assets and operate almost 40% of all bank branches.

Some argue that *certain* companies should be prohibited from owning ILCs because of their capabilities. To implement a policy like this, the FDIC would be put in the position of making subjective and political evaluations of which companies are good for the marketplace and which are bad. That would be impossible to administer fairly.

FDIC question #10 asks about public benefits.

EnerBank helps homeowners improve their homes. EnerBank helps contractors grow their business – especially the small, local businesses. The Home Depot plans to facilitate growth of EnerBank's business by helping them reach more homeowners and contractors.

We appreciate the FDIC's consideration of our points.

The Home Depot's goal in applying for a change in control of EnerBank is to help homeowners improve their homes and help contractors grow their business. We're proposing to put our financial strength behind a small, entrepreneurial business that has successfully delivered innovation to the marketplace. We've attempted to be completely clear about our business intentions in our application, and made it available for public comment.

We believe that safety and soundness should not be confused with restrictions that limit marketplace competition and prevent innovation and fresh ideas. We are committed to creating value for our customers while maintaining the highest level of compliance with laws and regulations.

Sincerely,

The Home Depot, Inc.