1800 S. Baltimore, 6th Floor, Tulsa, OK 74119, Member FDIC

SpiritBank

October 10, 2006

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

Re: Notice and Request for Comment on Industrial Loan Companies and Industrial Banks; FR Document E6-13941

Dear Mr. Feldman:

SpiritBank is a state-chartered bank and member of the Federal Deposit Insurance Corporation. We have been in business since 1916 and our total assets are approximately $935 million. We serve several communities in the Great State of Oklahoma, including rural and metropolitan markets. Our bank takes great pride in being a community bank, built on community and family values. We consider the communities that we serve to be one of our four cornerstones of success.

SpiritBank appreciates the opportunity to respond to questions recently proposed by the FDIC concerning industrial loan companies and industrial banks (collectively, "ILCs"). The FDIC has invited interested parties to provide comment on a number of topics ranging from the agency's abilitiy to supervise ILCs to it's authority. We applaud the FDIC for recognizing the many issues and concerns that the pending applications raise related to our financial system, and are appreciative of your thoughtful and thorough review of the potential issues prior to approving the applications.

We believe that the scope of these issues, however, goes beyond the concerns and specific questions raised by the FDIC in their Notice and Request for Comment associated with ILCs. The most significant of which is whether the ILCs of today are what Congress intended for them to be when they passed the Competitive Equality Banking Act (CEBA) in 1987. It is our view that if the answer to that question is no, then Congress should be engaged in the resolution of this issue.

ILCs were started in the early 1900s to provide uncollateralized consumer loans to low- and moderate-income workers unable to obtain such loans through commercial banks. Initially, ILCs were not eligible for FDIC insurance, however, over time, ILCs were granted eligibility for FDIC insurance for their thrift certificates which were offered in lieu of deposit accounts. Some states required ILCs to obtain FDIC insurance as a

condition of chartering and as a result, by 1987, the FDIC insured most ILCs and shared supervision of the ILCs with the states they ILCs were chartered in.

Congress enacted CEBA in 1987, a primary purpose of which was to close the "non-bank bank' loophole. CEBA included a limited exception from for ILCs that were less than $100 million in total assets, do not accept demand deposits/checking accounts and have not undergone a change in control since 1987. In 1987, this loophole applied to a few small institutions and thus Congress felt comfortable in exempting them from this rule, as there was no significant risk posed by mixing banking and non-financial commerce at that time.

Twenty years later, the characteristics of ILCs and their parents have changed dramatically. ILCs have grown almost 4,000 percent from $3.8 billion to over $155 billion, with the average ILC holding almost $2.6 billion in assets. There are a total of 61 ILCs today, with several other applications for federal deposit insurance pending. This growth is not by accident. ILCs are now referred to as "industrial banks" and are authorized to engage in virtually all powers of state-chartered banks. ILCs – even those in excess of the $100 million threshold codified in CEBA – may effectively compete with full-service insured depository institutions. As observed by former FRB Chairman Alan Greenspan, ILCs may engage in the "full range of commercial, mortgage, credit card and consumer lending activities; off payment-related services, including Fedwire, automated clearing house and check clearing services, to affiliated and unaffiliated person; (and) accept time and savings deposits, including certificates of deposit from any type of customer."

The flexibility of the ILC charter has made it a very attractive vehicle to serve the business needs of a wide range of entities, many of whom engage in non-financial commercial activities. While this is a perfectly legal and logical development given the laws in place, it stands the basic "source of strength" doctrine – where companies owning banks serve as a source of strength to the banks, not the opposite. It also has serious implications for the continued effectiveness of the barrier between banking and non-financial commerce, which has been put in place for a reason. Based on the change in the ILCs and the industry over the past twenty years, we believe that Congress should have this question high up on their agenda for review, should ILCs continue to remain outside a system that subjects owners of other types of insured depository institutions to consolidated supervision and regulation.

In the FDIC's Notice and Request for Comment, several questions specifically addressing Safety and Soundness were posed. These questions were reviewed internally by SpiritBank management and significant discussions surrounding those questions took place. Our primary and specific concern associated with these applications relates to the communities that we serve and the safety and soundness of our banks that operate in those communities. Just as the introduction of Wal-Mart in rural America has shut down mainstreet America, leaving consumers with only one choice, we are concerned that the introduction of ILCs into these vast distribution channels will also result in the

deterioration of community banking in rural America. As community banking deteriorates, so does the safety and soundness of the banking industry.

While there were many more specific questions that you asked to be addressed in your Notice and Request for Comment, our view is that Congress is best to decide these issues and that it is beyond the scope of the FDIC to resolve the current debate. We encourage you to engage Congress as you seek answers to the questions about the safety and soundness of the banking industry and the full import that the approval of pending ILC applications will have on the industry.

For the reasons that we have outlined above, we firmly believe that the ultimate decision regarding what roles ILCs should play in our financial system should be made by Congress. We truly appreciate the diligence and care with which you have pursued these issues and commend you for your efforts to date. However, this is a problem that can only be solved by Congress' engagement.

Sincerely,

Albert C. Kelly
President & CEO