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*President and CEO*

The Honorable Chris Dodd  
Chairman, Committee on Banking, Housing,  
and Urban Affairs  
United States Senate  
534 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Richard Shelby  
Ranking Member, Committee on Banking, Housing,  
and Urban Affairs  
United States Senate  
534 Dirksen Senate Office Building  
Washington, DC 20510

September 4, 2007

Dear Chairman Dodd and Ranking Member Shelby:

The current turmoil in the housing and home lending markets shows again why it is so urgent for the Senate Banking Committee to act on the Industrial Bank Holding Company Act (S. 1356). This bill would prevent commercial companies like Home Depot and Wal-Mart from owning and operating federally insured banks. While Wal-Mart has – a least for now – withdrawn its application for an industrial bank (ILC), Home Depot's application is still pending.

Home Depot acknowledged recently that its profits have fallen fifteen percent and revenue has fallen for the first time in four years, all because of the housing slump. If Home Depot already had its ILC, these problems could have severely damaged its bank, shaken consumer confidence, and most certainly have contaminated the general commercial sector with the fear of further deterioration of asset performance. Why? Because Home Depot plans to use the ILC to make housing related loans to Home Depot customers who buy products at its stores. These loans would have been *in addition to* the kind of housing loans that are moving into default. So, loan demand would have fallen and loans on the ILC's books could have gone bad.

The troubles experienced by Countrywide clearly demonstrate what can happen to confidence in the subsidiary bank when the public loses confidence in the parent owner of the bank. Fear is contagious. Imagine the damage to the subsidiary FDIC-insured banks had the very largest commercial firms such as Wal-Mart, Home Depot, etc. owned


multi-billion dollar FDIC-insured banks during the current market turmoil. That prospect alone should be impetus enough to spur action on the Industrial Bank Holding Company Act.

Fortunately, bank regulators do not have to deal with this doomsday scenario for the Home Depot bank or other mega commercial firms—yet. But, unless Congress and the President enact S. 1356 by the time the FDIC's ILC moratorium expires in January, it could happen.

No one knows which sector of the economy might in the future pose difficulties for banks owned by commercial firms. The past reveals a long list of troubled sectors and individual troubled companies. (We should all be grateful that Enron didn't own an ILC.) We know these problems will recur. What we don't know is exactly where. That is why Congress has maintained a strict separation between commercial companies and federally insured banks. That, along with careful supervision and strong capital, protects the Deposit Insurance Fund and, ultimately, the taxpayers from losses incurred by commercial firms.

ICBA stands ready to work with you to enact H.R. 1356 before Congress adjourns this year.

Sincerely,

A handwritten signature in black ink that reads "Camden R. Fine". The signature is written in a cursive style with a large, sweeping initial "C".

Camden R. Fine  
President and CEO

cc: Members, Senate Banking Committee