PRESS RELEASE

Federal Deposit Insurance Corporation

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Media Contact:
David Barr (202) 898-6992
dbarr@fdic.gov

FDIC Extends Moratorium on Industrial Loan Company (ILC) Applications by Commercial Companies for One Year; Will Move Forward on Applications from Financial Companies

The FDIC Board of Directors voted to continue for one year a moratorium on applications for deposit insurance and change in control notices for industrial loan companies (ILCs) that will be owned by commercial companies. The moratorium does not apply to ILCs owned by financial companies. In addition, the Board voted to issue for public comment a proposed rule (Part 354) to strengthen the framework for consideration of applications or notices for industrial banks owned by financial companies not subject to federal consolidated bank supervision.

The comments received during the original moratorium demonstrated that the growth of the ILC industry, the trend toward commercial company ownership of ILCs and the nature of some ILC business models have raised significant questions about the risks to the deposit insurance fund. "The growth in commercial ownership of ILCs raises public policy concerns," said FDIC Chairman Sheila C. Bair. "The moratorium will provide Congress with an opportunity to address the issue legislatively while the FDIC considers how best to respond to any safety and soundness issues surrounding commercial ownership under existing law."

With regard to ILCs owned by companies engaged in only financial activities and that are not subject to Federal Consolidated Bank Supervision, the Board approved a proposed regulation to provide enhanced supervision to ensure that the parent can serve as a more transparent source of strength to the ILC. Among other things, the proposed regulation requires that the parent company agree to maintain the capital of the ILC at specified minimum levels and to permit the FDIC to examine or obtain reports from the parent company and its subsidiaries in order to safeguard the continued safety and soundness of the institution. Comments on the proposed regulation are due by 90 days after publication in the **Federal Register**.

"The proposed regulation creates a framework for the FDIC to make decisions on the pending ILC applications owned by financial parents," said Chairman Bair. "Industrial banks have a history of strength and innovation. Today's action ensures that ILCs will continue to remain safe and important participants in the financial system and that the parent company will be a source of strength and not a source of risk."

Currently, 58 ILCs operate in seven states. Eight ILC applications for deposit insurance and one notice of change in control for an existing ILC are pending before the FDIC. Four of these filings will be subject to the continued moratorium and the FDIC will move forward on the remaining five, pending further determination.

The documentation on the extension of the moratorium and the proposed rule is available on the FDIC's Web site at http://www.fdic.gov/news/board/notice31jan2007.html.