

**Statement of Douglas H. Jones Acting General Counsel Federal Deposit  
Insurance Corporation on Industrial Loan Companies: A Review of Charter,  
Ownership, and Supervision Issues Before the Committee on Financial Services  
U.S. House of Representatives  
July 12, 2006  
Room 2128 Rayburn House Office Building**

Chairman Bachus, Representative Sanders and members of the Subcommittee, I appreciate the opportunity to testify on behalf of the Federal Deposit Insurance Corporation (FDIC) concerning industrial loan companies (ILCs). As the primary federal supervisor for ILCs, the FDIC has considerable experience with these entities. Although I cannot comment on specific pending applications, my testimony this morning will discuss the history and characteristics, current industry profile and supervision of ILCs.

### **History and Characteristics**

Industrial loan companies and industrial banks are state-chartered banks supervised by their chartering states and the FDIC, which is their primary federal regulator. The ILC charter has existed since 1910, when Arthur J. Morris established the Fidelity Savings and Trust Company of Norfolk, Virginia. This was the first of the Morris Plan Companies, which were also known as industrials, industrial banks, or thrift and loans. These institutions were chartered and supervised by the states and operated more or less like finance companies, providing loans to wage earners who could not otherwise obtain credit.

The FDIC has been involved in the supervision of ILCs since its inception when twenty-nine Morris Plan (industrial) banks were insured by the FDIC on January 1, 1934. However, the modern evolution of ILCs began in 1982 with the passage of the Garn-St Germain Depository Institutions Act. Garn-St Germain expanded ILCs' eligibility to apply for federal deposit insurance, subjecting more ILCs to federal supervision. Shortly thereafter, in 1987, the Competitive Equality Banking Act (CEBA) clarified which institutions would be subject to the Bank Holding Company Act (BHCA), exempting any company that controls one or more ILCs from the BHCA generally if the ILC received a charter from one of the limited number of states issuing them and the state required federal deposit insurance at that time, as long as one of three conditions are met:<sup>1</sup> (1) the ILC does not accept demand deposits; (2) its total assets are less than \$100 million; or (3) control of the ILC has not been acquired by any company after August 10, 1987. Like other insured institutions, ILCs are subject to examinations and other supervisory activities and generally operate under the same banking and consumer protection requirements, responsibilities, and limitations, as other state chartered banks and savings associations.

The parent companies of ILCs that qualify for the exemption under the BHCA are not required to be supervised by the Federal Reserve or the Office of Thrift Supervision (OTS). Nevertheless, several holding companies supervised by the Federal Reserve or OTS own ILCs.

ILCs comprise a relatively small share of the banking industry—numbering less than one percent of the total 8,790 insured depository institutions and 1.4 percent of the assets. As of March 31, 2006, there were 61 insured ILCs, with 48 of the 61 operated from Utah and California. ILCs also operate in Colorado, Hawaii, Indiana, Minnesota and Nevada. California, Nevada and Utah are the most active in chartering ILCs. Attachment 1 is a list of all ILCs with their asset and deposit data.

The powers of the ILC charter are determined by the laws of the chartering state. Thus, the authority granted to an ILC may vary from one state to another and may be different from the authority granted to commercial banks. Typically, an ILC may engage in all types of consumer and commercial lending activities and all other activities permissible for insured state banks.

ILCs can generally be grouped according to one of four broadly defined categories. One category includes ILCs that are community-focused. An example of an ILC in this category is Golden Security Bank, a California community bank with \$124 million in assets that was organized in 1982. Institutions in this category often provide credit to consumers and small to medium sized businesses.

A second category includes ILCs that focus on specialty lending programs, including leasing, factoring (i.e., the process of purchasing commercial accounts receivable (invoices) from a business at a discount), and real estate lending. This category includes institutions such as Merrill Lynch Bank USA, which conducts syndicated and bridge financing, asset-based lending, commercial real estate lending and equipment financing, as well as providing standby credit for institutional clients' commercial paper programs. Merrill Lynch Bank USA currently funds its activities through wholesale deposits and sweep balances from retail brokerage and security accounts. Morgan Stanley Bank, Goldman Sachs Bank USA, UBS Bank USA and Lehman Brothers Commercial Bank also are included in this category.

A third category includes ILCs that are part of financial services units that are, in turn, part of larger corporate organizations that are not necessarily financial in nature. These institutions may serve a particular lending, funding or processing function within the organization. Lending strategies can vary greatly within a specific institution, but are often focused on a limited range of products, such as credit cards, real estate mortgages or commercial loans. Escrow Bank USA, GMAC Automotive Bank and GMAC Commercial Mortgage Bank, all of which are subsidiaries of General Motors,<sup>2</sup> are included in this category, as is General Electric's GE Capital Financial, Inc.

A fourth category includes ILCs that directly support the parent organizations' commercial activities. These institutions largely finance retail purchases of parent company products, ranging from general merchandise to automobiles, corporate purchasing activities, fuel for rental car operations, and home improvements. Loan products include credit cards, lines of credit, and term loans. This category includes institutions such as Toyota Financial Savings Bank and Volkswagen Bank USA, which

provide loans to finance the sale of automobiles and for other consumer purposes. The category also includes the \$12 million Target Bank, Utah, which issues proprietary commercial credit cards to business customers of Target Stores. Many commercial entities, including Target, also own significant credit card issuing banks as allowed under CEBA.

In addition to retail deposits, such as NOW and savings accounts, funding sources for the ILCs in these various categories may include wholesale deposits, money center operations and borrowings. Institutions that operate within a larger corporate organization may also obtain funding through the parent organization in the form of deposits, borrowings or equity. In some cases, corporate strategies may play a large role in determining funding strategies.

### ILC Profile

The ILC charter has generated a significant amount of public interest in recent years as various entities have explored the feasibility and business opportunities of including an ILC as part of their operations. While it is not possible to predict the future course of the ILC charter, it is useful to examine the profile of the 61 existing ILCs. ILCs are owned by a diverse group of financial and commercial firms. Of the 61 existing ILCs, 43 are either independently owned or affiliated with a parent company whose business is primarily financial in nature. These include ILCs owned by such companies as Merrill Lynch, American Express and Morgan Stanley. These 43 ILCs comprise approximately 90 percent of the ILC industry's assets and deposits. The remaining 18 ILCs are associated with parent companies that can be considered non-financial. They account for approximately ten percent of ILC assets and deposits. In particular, it is important to emphasize that while the ILC industry has grown significantly in recent years, this growth has overwhelmingly occurred in ILCs with financial parent organizations. ILCs with commercial parent organizations represent a very small proportion of ILC asset growth

Table 1 lists the top five ILCs which each hold more than \$10 billion in assets, accounting for approximately 76 percent of all ILC assets and 81 percent of all ILC deposits. Of these five ILCs, four are affiliated with financial services firms; the fifth has existed since 1937 and has grown through commercial real estate lending and the origination and sale of mortgages. The largest ILC (Merrill Lynch Bank USA) alone holds approximately 40 percent of ILC assets and 49 percent of ILC deposits.

**Table 1**

<b>Top Five Industrial Loan Corporations by Asset Size</b>		
<b>Institution</b>	<b>Total Assets (in millions)</b>	<b>Total Deposits (in millions)</b>
Merrill Lynch Bank USA	62,040.4	54,160.1
UBS Bank USA	18,998.6	16,415.7
American Express Centurion Bank	13,779.7	2,725.8

Fremont Investment & Loan	12,856.5	9,297.1
Morgan Stanley Bank	10,884.9	7,702.5
Source: FDIC Call Report Data, March 31, 2006		

By contrast, 39 ILCs, including 11 affiliated with non-financial firms, have less than \$500 million in assets. These 39 ILCs account for approximately three percent of ILC industry assets and deposits.

Among the ILCs associated with firms that can be considered non-financial, GMAC Commercial Mortgage Bank has been the largest, holding just under \$4 billion in assets and accounting for 2.6 percent of ILC industry assets and 2.9 percent of ILC industry deposits.<sup>3</sup> Ten of the 18 ILCs that are owned by non-financial firms conduct permissible banking activities that directly facilitate their parent organization's distinctly commercial activities. For instance, Target Bank issues credit cards to commercial entities to facilitate purchases from Target Stores. The remaining eight institutions also conduct permissible banking activities. However, these activities are conducted within the financial services units of larger commercial organizations.

Between 1987 and 1995, the assets in ILCs grew from \$4.2 billion to \$11.5 billion. In 1996, American Express moved its credit-card operations from its Delaware credit card bank to its Utah ILC, increasing the assets in the industry to \$22.6 billion by year end. Beginning in 1999, Merrill Lynch changed the default option for its brokerage's customers which resulted in moving their cash management accounts to insured deposits in its ILC. This action led to insured deposit growth of approximately \$3 billion in 1999 and \$37 billion in 2000. Since 2000, at least three additional financial services firms associated with ILCs—UBS, Lehman Brothers and Morgan Stanley—have offered their clients the option of holding their cash funds in insured deposits that are placed in the financial services firms' ILCs through deposit sweep programs.

Today, the assets in ILCs are approximately \$155 billion. This reflects growth from \$4.2 billion in 1987. ILCs owned by the four financial services firms cited above accounted for 63 percent of this growth. See Attachment 2. Excluding these four ILCs, all other ILCs grew by approximately \$56 billion over the period 1987 through the first quarter of 2006. Overall, the ILCs' share of insured-institution assets is 1.4 percent.

With regard to the portfolios of ILCs, 71 percent of ILC assets are in loans and leases, compared to 61 percent for insured institutions. Within this category, ILCs predominately hold commercial and industrial loans (27 percent), credit card loans (18 percent), other consumer loans (14 percent) and 1-4 family mortgages (13 percent). Attachment 3 provides greater detail on ILC industry asset composition, although concentrations within individual institutions will vary from the aggregate numbers.

ILCs have a good safety and soundness track record to date. Overall, the FDIC's examination experience with ILCs has been similar to the larger population of insured institutions, and the causes and patterns displayed by problem ILCs have been like

those of other institutions. As noted in the Government Accountability Office's 2005 report on ILCs, "from an operations standpoint [ILCs] do not appear to have a greater risk of failure than other types of depository institutions." The authorities available to the FDIC to supervise ILCs have proven to be adequate thus far for the size and types of ILCs that currently exist. Recognizing the dynamic nature of the ILC industry, however, the FDIC is examining whether additional authorities could prove useful in ensuring the safety and soundness of these institutions.

## **Supervision**

ILCs are supervised by the FDIC in the same manner as other state nonmember banks. They are subject to regular examinations, including examinations focusing on safety and soundness, consumer protection, community reinvestment, information technology and trust activities. ILCs are subject to FDIC Rules and Regulations, including Part 325, pertaining to capital standards, and Part 364, pertaining to safe-and-sound standards of operation. In addition, ILCs are subject to restrictions under the Federal Reserve Act governing transactions with affiliates and tying practices, as well as consumer protection regulations and the Community Reinvestment Act. Just as for all other insured banks, ILC management is held accountable for ensuring that all bank operations and business functions are performed in a safe and sound manner and in compliance with federal and state banking laws and regulations. Four of the largest and most complex ILCs are subject to near continuous on-site supervision.

The primary difference in the supervisory structures of the ILCs and other insured financial institutions is the type of authority over the parent organization. The Federal Reserve and the OTS have explicit supervisory authority over bank and thrift holding companies, including some holding companies that currently own ILCs. The FDIC has the authority to examine affiliate relationships with the ILC, including its parent company and any other third party, as may be necessary to determine the relationship between the ILC and the affiliate, and to determine the effect of such relationship on the ILC. In the case of a parent company subject to the reporting requirement of another regulatory body covered under the Gramm-Leach-Bliley Act of 1999, such as the Securities and Exchange Commission or a state insurance commissioner, the FDIC and the functional regulator share information.

FDIC supervisory policies regarding any institution owned by a parent organization, including ILCs, are concerned with organizational relationships, particularly regarding compliance with the rules and regulations intended to prevent potentially abusive practices. The scope and depth of review vary depending upon the nature and extent of intercompany relationships and the degree of risk posed to the institution.

An examination would typically include a review of the ILC's strategies and processes, compliance with the conditions of its deposit insurance order, interdependencies and corporate separateness, management competencies, risk management programs, financial condition and performance, and prospects. Examination procedures include an assessment of the ILC's parent's corporate structure and how the ILC interacts with its

affiliates, as well as an evaluation of any risks that may be inherent in the relationship. Transaction testing assesses compliance with sections 23A and 23B of the Federal Reserve Act, which places limits on the quantity and quality of such transactions, and the propriety of the transactions. In addition to assessing purchase and sale transactions involving the institution and its affiliates, all services provided to or purchased from an affiliate must be on the same terms and conditions as with non-affiliated entities. All services relationships must be governed by a written agreement and the ILC should have a contingency plan for all critical business functions performed by affiliated companies. Transaction testing also encompasses transactions with insiders and their related interests. Such transactions are governed by the Federal Reserve Board's Regulation O, which governs credits to insiders and their related interests.

Examiners also review any arrangements involving shared management or employees. Agreements between the ILC and its affiliate are expected to be in place that define compensation arrangements, specify how to avoid conflicts of interest, establish reporting lines, and assign authority for managing the shared employee relationships.

### *Enforcement Authority*

As discussed earlier, the FDI Act provides that the FDIC can examine the affairs of any affiliate of an ILC (including the parent) as may be necessary to disclose fully the relationship between such ILC and any affiliate; and the effect of such relationship on the ILC. The FDIC also possesses authority to restrict or prohibit a supervised bank from engaging in activities with an affiliate or any third party that may cause harm to the insured institution.

As with all FDIC-supervised institutions, Section 8(b) of the FDI Act includes the authority to place limitations on the activities or functions of an institution or institution affiliated parties, including a parent company or non-bank subsidiary (unless the parent is a bank holding company supervised by the Federal Reserve). This includes the authority to require such party to, among other actions, make restitution or provide reimbursement, indemnification, or guarantee against loss; dispose of any asset involved; rescind agreements or contracts; or take such other action as the agency determines to be appropriate. In an appropriate circumstance, divestiture is available as an affirmative remedy to a parent organization's unsafe or unsound practices. The FDIC would also have options to impose civil money penalties.

As with all FDIC-supervised institutions, Section 38 of the FDI Act (Prompt Corrective Action or PCA) gives the FDIC the authority under certain circumstances to obtain guarantees of capital plans from the ILC's parent company. Under PCA, if an ILC is significantly undercapitalized, and fails to file an acceptable plan, or fails to implement an approved capital plan, the FDIC must apply safeguards that could include a requirement that a parent company or other controlling party divest itself of the institution if the agency determines that divestiture would improve the institution's condition and prospects.

The FDIC also has the authority to enforce conditions or written agreements that apply to ILCs and their parent organization. Section 8 of the FDI Act provides various predicates for enforcement, including a "violation of a condition." Where there is a breach of a condition or written agreement, no additional findings are required to justify the enforcement action, and the breach can be pursued without consideration of its safety and soundness or other consequences.

### **Application for Deposit Insurance and Notice of Change in Bank Control**

The FDIC generally follows the same review process for applications for deposit insurance and notices of changes in bank control relative to ILCs as it does for such requests from other applicants.

#### *Application for Deposit Insurance*

The review and investigation of chartering and deposit insurance applications for new institutions are coordinated between the FDIC and the applicable state chartering agency. The processing of applications is performed in accordance with Sections 5 and 6 of the FDI Act, sections 303.20-25 (Deposit Insurance) of the FDIC Rules and Regulations, and the FDIC Statement of Policy on Applications for Deposit Insurance. All applicants for FDIC insurance must satisfactorily address seven statutory factors enumerated in Section 6 of the FDI Act, as follows:

1. The financial history and condition of the institution.
2. The adequacy of the institution's capital structure.
3. The future earnings prospects of the institution.
4. The general character and fitness of the management of the institution.
5. The risk presented by the institution to the deposit insurance fund.
6. The convenience and needs of the community to be served by the institution.
7. The consistency of the institution's corporate powers with the purposes of the FDI Act.

In addition, the FDIC must evaluate the application to determine compliance with any applicable requirements of the Community Reinvestment Act, the National Environmental Protection Act and the National Historic Preservation Act.

#### *Notice of Change in Bank Control*

The processing of a notice for a change in control is performed in accordance with Section 7 of the FDI Act and sections 303.80-86 (Change in Bank Control) of the FDIC Rules and Regulations. Notificants must satisfactorily address the statutory factors enumerated in Section 7 of the FDI Act, which generally provide that the appropriate federal banking agency may disapprove any proposed acquisition if:

1. the proposed acquisition of control would result in a monopoly;

2. the proposed acquisition of control would substantially lessen competition in any section of the country or tend to create a monopoly, or would in any other manner constitute a restraint of trade which is not outweighed by the convenience and needs of the community;
3. the financial condition of the acquiring party might jeopardize the bank or prejudice depositors;
4. the competence, experience or integrity of any acquiring person or proposed management indicates that the acquisition would not be in the best interest of depositors or the public;
5. any acquiring party neglects, fails, or refuses to furnish information required by the appropriate federal regulator; or
6. the acquisition would have an adverse effect on the Deposit Insurance Fund.

### *Processing*

Filers of either an application for deposit insurance or a notice of a change in bank control are encouraged to meet with supervisory staff prior to submitting a filing in order to identify potential significant issues or address material deficiencies in the proposal. Upon submission of a substantially complete filing, the FDIC, together with the chartering state, may initiate a field investigation, during which examiners review all aspects of the given proposal. Central to the FDIC's review of the filing is a well-defined, comprehensive and supported business plan. Ultimately, examiners will assess the proposal in light of the statutory factors and prudent banking practices, and will develop a recommendation relative to each statutory factor.

### *Conditions*

In the case of applications for deposit insurance, the FDIC has the authority to impose reasonable conditions through its order approving the application. Decisions regarding specific conditions to be imposed are based upon the totality of the application and investigation, and may consider such issues as the complexity and perceived risk of the proposed business plan, adequacy of capital and management, relationships with affiliated entities, and sufficiency of risk management programs, among other considerations. Some conditions must be satisfied before deposit insurance becomes effective. Other conditions or limitations may be time-specific and some may impose continuing requirements or restrictions that must be satisfied on an ongoing basis, even beyond an institution's initial years of operation. Conditions that impose ongoing requirements remain in effect as long as the FDIC determines that the condition is necessary to ensure the safe-and-sound operation of the institution. The FDIC can also require written agreements with the institution and its parent that address capital maintenance, liquidity and other matters as appropriate.

In the cases involving a change in bank control, the FDIC can impose requirements and restrictions through a formal agreement among the FDIC, the institution and the parent company. Provisions of the formal agreement can be substantially similar to those imposed on a newly organized institution and its parent.



### *Delegations of Authority*

While approval authority for many applications and notices has been delegated by the FDIC Board of Directors to regional management, the delegations are limited in the case of institutions to be operated under parent organizations not subject to the Bank Holding Company Act. In these cases, approval authority has been delegated only to the Washington Office management. Further, the FDIC Board of Directors retains approval authority in those cases in which the underlying proposal does not conform to FDIC policy. All recommendations to deny an application for deposit insurance also are presented to the FDIC Board of Directors. However, proposals that fail to satisfy the required statutory factors and regulatory concerns are usually withdrawn by the filers before being denied by the FDIC or the respective state chartering authorities.

This concludes my statement. The FDIC appreciates the opportunity to testify regarding the profile and supervision of ILCs. I will be happy to answer any questions that the Subcommittee might have.

### **Attachment 1**

<b>Industrial Loan Companies (Financial Data as of March 31, 2006)</b>					
<b>Insured</b>	<b>Institution</b>	<b>Total Assets</b>	<b>Total Deposits</b>	<b>State</b>	<b>Parent</b>
10/31/1988	MERRILL LYNCH BANK USA	62,040.4	54,160.1	UT	Merrill Lynch
9/15/2003	UBS BANK USA	18,998.6	16,415.7	UT	UBS AG
3/20/1989	AMERICAN EXPRESS CENTURION BANK	13,779.7	2,725.8	UT	American Express
9/24/1984	FREMONT INVESTMENT&LOAN	12,856.5	9,297.1	CA	Fremont General Corporation
5/25/1990	MORGAN STANLEY BANK	10,884.9	7,702.5	UT	Morgan Stanley
9/27/1996	USAA SAVINGS BANK	6,851.6	256.4	NV	USAA Life Company
4/1/2003	GMAC COMMERCIAL MORTGAGE BANK	3,991.4	3,220.0	UT	GMACCH Invest / GMAC
8/24/05	LEHMAN BRO. COMMERCIAL BANK	3,338.2	2,899.9	UT	Lehman Brothers Bank FSB
8/2/2004	GMAC AUTOMOTIVE BANK	3,060.6	2,573.1	UT	GMAC (General Motors)
8/2/2004	BEAL SAVINGS BANK	2,245.6	153.9	NV	Beal Financial Corporation
11/12/1999	BMW BANK OF NORTH AMERICA	1,863.4	1,511.9	UT	BMW Group

2/12/1993	GE CAPITAL FINANCIAL INC	1,812.0	246.6	UT	GE (General Electric)
12/16/1991	ADVANTA BANK CORP	1,552.8	1,065.9	UT	Advanta
10/5/1984	FIRESIDE BANK	1,310.7	1,084.9	CA	Unitrin, Inc.
10/20/2000	CIT BANK	933.7	693.4	UT	CIT Group
9/22/1997	MERRICK BANK	736.2	551.8	UT	CardWorks, LP
6/1/1998	WRIGHT EXPRESS FINL SERVICES	694.5	524.3	UT	Wright Express
11/3/1989	CENTENNIAL BANK	691.0	555.3	CA	Land America Financial Group
1/10/2002	VOLKSWAGEN BANK USA	684.8	546.6	UT	Volkswagen
6/4/1984	FINANCE FACTORS, LTD	655.6	499.1	HI	Finance Enterprises
1/16/1998	PITNEY BOWES BANK INC	553.0	470.0	UT	Pitney Bowes
9/12/1985	UNIVERSAL FINANCIAL CORP	535.2	376.1	UT	Citigroup
8/29/1991	TAMALPAIS BANK	469.1	326.5	CA	No affiliation
8/26/1988	SILVERGATE BANK	412.4	180.5	CA	Silvergate Capital
11/12/1999	REPUBLIC BANK INC	357.9	285.9	UT	No affiliation
10/1/1998	TRANSPORTATION ALLIANCE BK	334.7	278.4	UT	Flying J, Inc.
9/10/1985	COMMUNITY COMMERCE BANK	296.4	206.2	CA	TELACU
12/22/2003	MEDALLION BANK	259.0	215.0	UT	Medallion Financial
4/3/2000	SECURITY STATE SAVINGS BANK	222.4	118.4	NV	Stampede Capital LLC
9/22/2004	INDEPENDENCE BANK	205.5	136.2	CA	Independence Financial Services
11/5/1985	5 STAR BANK	201.6	144.6	CO	Armed Forces Benefit Association
12/1/2003	WORLD FINANCIAL CAPITAL BANK	196.3	131.2	UT	Alliance Data Systems
6/3/1985	HOME BANK OF CALIFORNIA	173.5	130.7	CA	La Jolla Savers and Mortgage Fund
1/22/1990	CIRCLE BANK	173.4	133.7	CA	No affiliation

7/3/1986	BALBOA THRIFT & LOAN ASSN	152.3	136.0	CA	No affiliation
7/21/2003	EXANTE BANK	140.9	85.6	UT	UnitedHealth Group
9/29/05	MAGNET BANK	137.6	78.8	UT	Unaffiliated
6/28/1989	FIRST SECURITY THRIFT CO	137.2	83.8	CA	First American Financial
7/21/1987	FIRST FINANCIAL BANK	137.0	26.8	CO	First Data Corp.
2/25/1986	GOLDEN SECURITY BANK	124.2	101.4	CA	No affiliation
12/17/1984	FINANCE & THRIFT CO	113.6	114.6	CA	F&T Financial Services, Inc.
11/28/05	SALLIE MAE BANK	102.5	1.0	UT	Sallie Mae
12/17/1984	RANCHO SANTA FE TH & L ASSN	99.4	69.8	CA	First Trust Savings Bank
6/3/2002	ENERBANK	91.3	77.7	UT	CMS Energy
3/1/2001	CELTIC BANK	74.0	64.0	UT	Celtic Investment, Inc.
3/23/1990	THE MORRIS PLAN COMPANY	61.9	46.7	IN	First Financial Corporation
9/28/1987	HOME LOAN INDUSTRIAL BANK	54.9	44.0	CO	Home Loan Investment Company
8/16/2004	TOYOTA FINANCIAL SAVINGS BANK	53.9	15.1	NV	Toyota
2/16/1990	TUSTIN COMMUNITY BANK	48.4	36.9	CA	No affiliation
11/3/1999	ESCROW BANK USA	39.4	0.8	UT	GMACCH Invest / GMAC
8/25/1997	EAGLEMARK SAVINGS BANK	32.2	3.6	NV	Harley-Davidson
8/1/05	ALLEGIANCE DIRECT BANK	26.1	20.1	UT	Leavitt Group Enterprises, Inc.
8/7/1986	MINNESOTA 1ST CREDIT & SVG INC	25.0	18.1	MN	Minnesota Thrift Company
7/6/2004	GOLDMAN SACHS BANK USA	22.0	0.5	UT	Goldman Sachs
10/5/2000	FIRST ELECTRONIC BANK	13.6	9.2	UT	Fry's Electronics

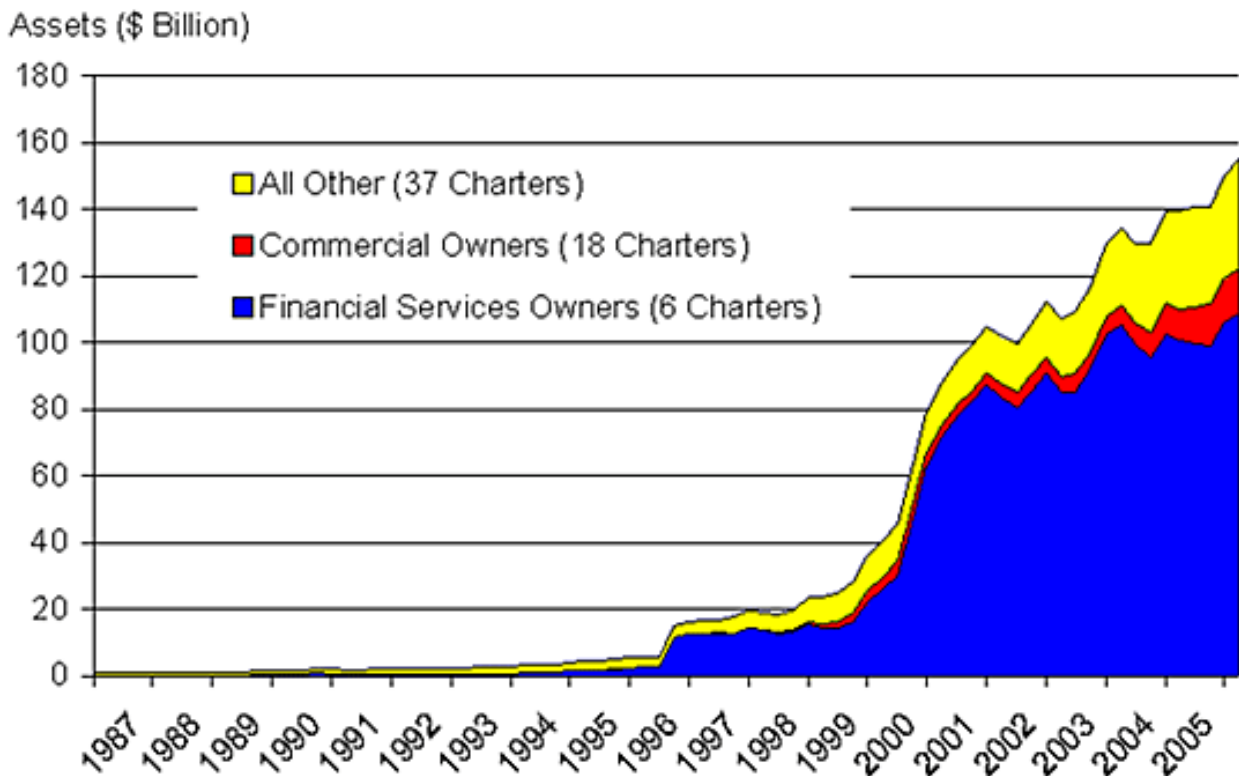
9/27/2004	TARGET BANK	12.3	5.4	UT	Target Corporation
5/15/1997	WEBBANK	6.6	1.0	UT	Steel Partners II, LP
1/26/06	LCA BANK CORPORATION	5.4	0.2	UT	Lease Corporation of America
9/22/1997	AMERICAN SAVINGS INC	3.7	0.9	MN	Waseca Bancshares
5/1/2000	VOLVO COML CREDIT CORP OF UT	2.8	0.5	UT	Volvo
1/12/2001	TRUST INDUSTRIAL BANK	2.7	0.5	CO	FISERV
		<b>155,093.5</b>	<b>110,860.7</b>		

<b>Pending Applications for Deposit Insurance</b>					
<b>Insured</b>	<b>Institution</b>	<b>Assets</b>	<b>Deposits</b>	<b>State</b>	<b>Parent</b>
NA	COMDATA BANK	NA	NA	UT	Ceridian Corporation
NA	DAIMLERCHRYSLER BANK US	NA	NA	UT	DaimlerChrysler
NA	CAPITALSOURCE BANK	NA	NA	UT	CapitalSource, Inc.
NA	WAL-MART BANK	NA	NA	UT	Wal-Mart
NA	MARLIN BUSINESS BANK	NA	NA	UT	Marlin Business Services, Corp.
NA	AMERICAN PIONEER	NA	NA	UT	Cargill Financial Services and First City Financial
NA	HEALTHBENEFIT BANK dba BLUE HEALTHCARE BANK	NA	NA	UT	Blue Cross/Blue Shield
NA	BERKSHIRE HATHAWAY BANK	NA	NA	UT	Berkshire Hathaway
NA	FIFTH STREET BANK	NA	NA	NV	Security National Master Holding Company

Pending Notices of Change in Bank Control					
Insured	Target Institution	Total Assets	Total Deposits	State	Acquiring Entity
8/2/2004	GMAC AUTOMOTIVE BANK	3,060.6	2,573.1	UT	Cerberus
9/22/1997	MERRICK BANK	736.2	551.8	UT	Compu-Credit
8/26/1988	SILVERGATE BANK	412.4	180.5	CA	WESCOM Credit Union
6/3/2002	ENERBANK	91.3	77.7	UT	The Home Depot
5/1/2000	VOLVO COML CREDIT CORP OF UTAH	2.8	0.5	UT	NHB Holdings, Inc.

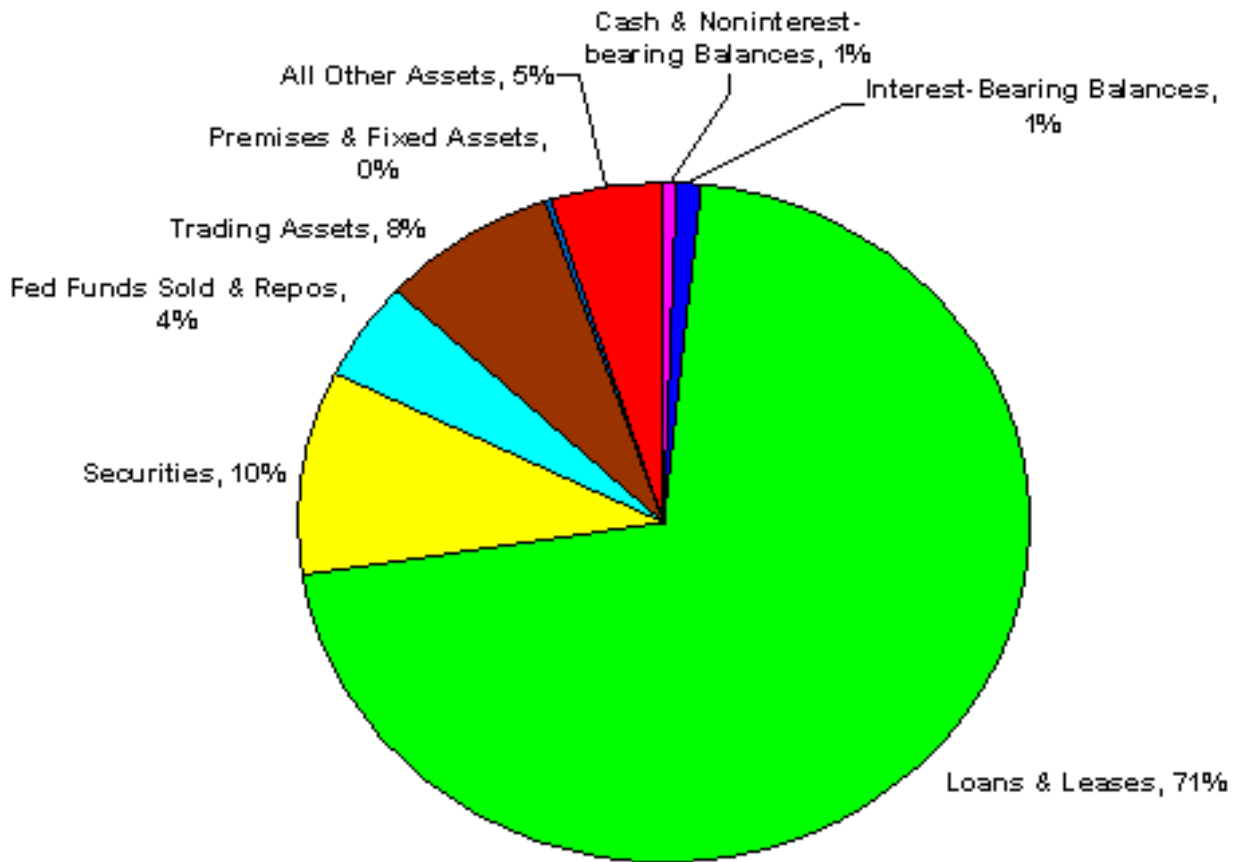
**Attachment 2**

**ASSETS OF 61 FDIC-INSURED ILCs, 1986 - 2006**



Attachment 3

ASSET PORTFOLIO OF 61 FDIC-INSURED ILCs  
March 31, 2006



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<sup>1</sup> CEBA added Section 1841(c)(2)(H) of the BHCA which exempted certain ILCs as follows:

"An industrial loan company, industrial bank, or other similar institution which is—  
(i) an institution organized under the laws of a State which, on March 5, 1987, had in effect or had under consideration in such State's legislature a statute which required or would require such institution to obtain insurance under the Federal Deposit Insurance Act [12 U.S.C.A. §1811 et seq.]—

(I) which does not accept demand deposits that the depositor may withdraw by check or similar means for payment to third parties;

(II) which has total assets of less than \$100,000,000; or

(III) the control of which is not acquired by any company after August 10, 1987."

<sup>2</sup> General Motors recently sold a majority interest in Escrow Bank USA and GMAC Commercial Mortgage Bank.

<sup>3</sup> General Motors recently sold a majority interest in Escrow Bank USA and GMAC Commercial Mortgage Bank.

Last Updated 7/11/2006