



Neighborhood Economic Development Advocacy Project

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September 23, 2005

Mr. John F Carter, Regional Director
Federal Deposit Insurance Corporation
25 S. Jessie Street at Elker Square, Suite 2300
San Francisco, CA 94105

Mr. Donald Powell, Director
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington DC 20429

Dear Mr. Carter:

The Neighborhood Economic Development Advocacy Project (NEDAP) opposes the application submitted by Wal-Mart Stores, Inc. (Wal-Mart) to receive FDIC insurance for an industrial loan bank chartered in Utah. Wal-Mart's application raises issues of major consequence for the public, for our economy, and for communities across the country. Given the application's magnitude, NEDAP seeks to register its opposition. This letter constitutes our preliminary comments on the application. NEDAP also hereby calls on the FDIC to hold public hearings on the matter.

NEDAP is a resource and advocacy center that works with community groups in New York City to promote community reinvestment and access to fair and affordable capital. NEDAP provides legal, technical and data support to groups seeking to hold banks and their regulators accountable to low income neighborhoods and communities of color.

The FDIC should deny Wal-Mart's application for FDIC insurance for its proposed Industrial Loan Company (ILC). A Wal-Mart ILC (Bank) would present a dangerous and unprecedented combination of banking and commerce. The ILC charter would also enable Wal-Mart to elude the Bank Holding Company Act.

Disturbingly, Wal-Mart includes in its application a request that the Bank be afforded an exemption from the Community Reinvestment Act (CRA). Wal-Mart bases its request for CRA exemption on the non-depository nature of its proposed Bank. According to officials at the Utah Department of Financial Institutions, however, the proposed Bank could later offer deposit accounts throughout the country through an administrative process that requires neither a public comment period nor public hearings.

Wal-Mart's application makes clear that the Bank is trying to circumvent the Congressional mandate that it meet the credit needs of all communities in which it operates. If the Bank is not granted an exemption from CRA, it has proposed Salt Lake City, Utah as its catchment area for CRA purposes. The Bank, regardless of whether it offers demand accounts, must be held accountable to the communities in which it operates. NEDAP finds this request for CRA exemption absolutely unacceptable and will direct its comments to the Utah Department of Financial Institutions.

Wal-Mart is currently attempting to open a Sam's Club (a Wal-Mart, Inc. company) in the Bronx. If this happens it will likely lead to the closure of locally-owned stores and their locally-held deposit accounts. As Wal-Mart's business model is to remit each store's cash flow to its corporate headquarters in Arkansas, and not deposit these funds with local bank branches, funds that were previously held by local banks will now be siphoned out of New York City's communities.

This application signals the possibility that without so much as a public hearing, Wal-Mart's Bank could make deposit accounts available without even basic requirements that the Bank meet the credit needs of the community.

One way the FDIC can exercise rigorous oversight is by maximizing the public's input. NEDAP therefore joins the broad chorus of organizations requesting that the FDIC hold public hearings to review the application and its broad public policy implications. We join with other groups in requesting such a hearing, including: Consumer Federation of America, National Consumer Law Center, National Community Reinvestment Coalition, U.S. Public Interest Research Group, Association of Community Organizations for Reform Now, Wal-Mart Alliance for Reform Now, and the Independent Community Bankers of America.

The hearing is a necessary forum for grassroots groups and individual members of the public that are unequipped to submit written comments. It also will allow Wal-Mart to respond publicly to concerns raised by community groups. NEDAP hopes that the FDIC will hold a public hearing, and plans at that time to present more complete comments.

Sincerely,

Sarah Ludwig
Executive Director

Chris Keeley
Program Associate