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**M E M O R A N D U M**

July 31, 2006

To Our Clients and Friends

Re: FDIC Moratorium on Industrial Loan Company Applications and Notices

The Federal Deposit Insurance Corporation (“FDIC”) Board of Directors has approved a six-month moratorium during which the FDIC will not make any final decisions or accept applications for deposit insurance or notices of change in bank control by industrial loan companies (“ILCs”). The moratorium is effective through January 31, 2007.

ILCs are considered state-chartered banks under the Federal Deposit Insurance Act. However, ILCs are not subject to the restrictions of the Bank Holding Company Act, meaning that a company that owns an ILC may engage in commercial activities and escape federal consolidated supervision. The FDIC has indicated that the growth of the ILC industry, the trend toward commercial company ownership and the nature of the ILC business model present concerns regarding potential risk to the deposit insurance fund and safety and soundness risks.

During the moratorium, the FDIC plans to assess industry developments, address issues, facts and arguments raised in connection with the ILC industry, evaluate safety and soundness or policy issues relating to the ILC industry and determine whether there is need for statutory, regulatory or policy changes. The FDIC may seek public comment during the moratorium. Any application or notice creating risk to a FDIC-insured institution or the insurance fund, or impairing the mission of the FDIC is excluded from the moratorium.

A copy of the notice can be found on our web site at [http://www.schwartzandballen.com/whats\\_new.html](http://www.schwartzandballen.com/whats_new.html).

If you have any questions, please call Gilbert Schwartz, Robert Ballen, Tom Fox or Heidi Wicker at (202) 776-0700.