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NDBA Urges FDIC To Reject Wal-Mart Application In Final Hearing

Bismarck, ND – Rick Clayburgh, Executive Vice President of the North Dakota Bankers Association (NDBA), along with numerous community and regional bank officials from many states, stood united in their opposition to Wal-Mart’s application for deposit insurance for its proposed industrial loan company during yesterday’s final FDIC hearing held in Overland Park, Kansas.

The big issue now, and the focus of the FDIC hearings, is Wal-Mart’s application to establish a full scale industrial loan corporation (ILC) in Utah. “Some may wonder why Bankers from North Dakota would care about an application for an (ILC) in the state of Utah,” says Rick Clayburgh, Executive Vice President of the NDBA. “Although it is obvious that the Wal-Mart application is based on a legal loophole that breaches the wall separating banking and commerce, we are concerned with the pending application because of the potential that a Wal-Mart bank could eventually harm rural states, including North Dakota”

Wal-Mart has been attempting to get into the banking business for at least five years. Attempts in California and Oklahoma, and an attempt to partner with a bank in Canada, thus far have been denied. But people are very concerned. Wal-Mart’s application in Utah has already drawn nearly 4,000 comment letters to the FDIC—a huge amount compared to most other comment requests. Moreover, this is the first time ever that the FDIC has conducted hearings about an application for FDIC insurance.

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“Small retailers and businesses are the lifeblood of North Dakota,” says Rick Clayburgh. “They are the customers of our banks. Directly and indirectly, they support our banks and our banks have supported them.” “All Wal-Mart has to do is put a deposit production office (or ATM) in each of its retail centers and it would have one of the largest deposit-gathering structures in the U.S. In North Dakota, “Wal-Mart Bank” could open more than ten “branches” virtually overnight. No bank could do the same, partly because the wall that keeps banks out of commerce is sound.”

Noting the retail giant’s history of dominating every business sector it enters, small-town bank executives and statewide banking groups said a Wal-Mart controlled bank could dry up financial resources in some towns, endanger the country’s banking system if it were to fail and give the company an unfair competitive advantage.

The FDIC’s hearings on Wal-Mart’s application for deposit insurance ended Tuesday, April 25, the agency staff will now review the testimony and 4,000 comment letters. No timetable was set for a decision.

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The North Dakota Bankers Association represents 93 banks with over 300 facilities in North Dakota. The association offers services to banks in the areas of government relations, education, communications, insurance and bank products.