



www.jsonline.com | [Return to regular view](#)

Original Story URL:

<http://www.jsonline.com/story/index.aspx?id=414787>

At hearing, state bankers oppose Wal-Mart plans

Retailer wants to open its own financial institution

By **PAUL GORES**

pgores@journalsentinel.com

Posted: April 10, 2006

Letting Wal-Mart Stores Inc. have its own bank could threaten community banks the way the retail giant has hurt business on rural Main Streets, a lawyer representing Wisconsin bankers told regulators in an unprecedented hearing near Washington, D.C., on Monday.

Advertisement Rose Oswald Poels, legal counsel for the Wisconsin Bankers Association, said Wal-Mart is an "economic force" that can change a local economy.

"All you have to do is walk around any medium- to small-sized town in Wisconsin where a Wal-Mart store is now located, and you will see that as a direct result of Wal-Mart's presence, the community lost several local, small businesses such as hardware stores, drugstores and grocery stores," Oswald Poels testified before the Federal Deposit Insurance Corp. in Arlington, Va.

She said in a phone interview that she told the bank regulators "the same pattern will repeat itself in the banking industry if the Wal-Mart Bank application is approved."

Oswald Poels was among dozens of speakers who converged at the hearing to lobby for or against Wal-Mart's application to open an in-house bank to process purchases at its more than 3,500 stores in the U.S.

The prospect of Wal-Mart being in the banking businesses - even though the company insists it will not

open branches that would compete with other banks - has caused such concern among bankers that the FDIC is holding its first-ever public hearings on an application.

But Jane Thompson, president of Wal-Mart's financial services unit, said Monday that Wal-Mart Bank doesn't intend to dot America with branches.

"Wal-Mart is absolutely and unequivocally committed not to engage in branch banking," Thompson said. "The purpose of the proposed bank would be to sponsor credit card, debit card and electronic check transactions - nothing more."

Bentonville, Ark.-based Wal-Mart said it wants its own bank so it can process about 2 billion of those kinds of purchases at its stores each year rather than pay other banks to do so.

The bank would be a special type of financial institution known as an industrial loan company or industrial bank. The company has applied to set up the bank in Utah, which already has issued about 40 such charters, including one to the Target Corp. retail chain.

Over the past five years, Wal-Mart has tried unsuccessfully to buy financial institutions in California and Oklahoma that some bankers and consumer groups say indicate the company may have bigger plans.

Joining the Wisconsin Bankers Association in opposing the Wal-Mart Bank application are bank trade groups, unions, legislators, consumer organizations and associations of convenience stores, grocers, retailers and others.

At a second public hearing planned for April 25 in Overland Park, Kan., Daryll Lund, president of the Community Bankers of Wisconsin, also plans to testify against the Wal-Mart Bank application

Bankers and other groups argue that letting a \$285 billion-a-year company have its own bank puts too much economic influence into one company and that banking and commerce should remain separate.

If the company were to run into hard times someday, they assert, it could put pressure on the finances of the bank - something they contend the government shouldn't let happen.

But not all the comments Monday were opposed to Wal-Mart.

For example, Oswald Poels said, the Salvation Army portrayed Wal-Mart as a good corporate citizen. So did the National Center for Missing and Exploited Children.

Wal-Mart's Thompson testified that "in fact and in practice, Wal-Mart is clearly committed to supporting community banking, not undermining it."

The company says it already has 300 local, independent bank and credit unions operating branches in 1,150 of its stores around the country.

Bloomberg News and the Associated Press contributed to this report.

From the April 11, 2006 editions of the Milwaukee Journal Sentinel
Have an opinion on this story? [Write a letter to the editor](#) or start an [online forum](#).

Subscribe today and receive 4 weeks free! [Sign up now](#).

© 2006, Journal Sentinel Inc. All rights reserved. | Produced by [Journal Interactive](#) | [Privacy Policy](#)
Journal Sentinel Inc. is a subsidiary of [Journal Communications](#).