



Office of the Comptroller of the Currency

Interpretations - Conditional Approval #212

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July 18, 1996

Mr. Harold S. Ruttenberg
Fingerhut Companies, Inc.
4400 Baker Road
Minnetoka, Minnesota 55343

Re: Application by Fingerhut Companies, Inc. ("Company") to charter a national CEBA credit card bank with the title Fingerhut National Bank, Sioux Falls, South Dakota
Application Control Number: 96-MW-01-0006

Dear Mr. Ruttenberg:

The Office of the Comptroller of the Currency (OCC) has reviewed your application to establish a new national CEBA credit card bank with the title, "Fingerhut National Bank" ("Bank"). On July 18, 1996, after a thorough evaluation of all data available to the OCC, we found that your proposal met the requirements for preliminary conditional approval.

We have based our decision to grant preliminary conditional approval on the information provided in your application, other correspondence between the applicant and the OCC, and other information available to the OCC.

The operating plan will provide the context for the supervisory review at the pre-opening examination. Major deviations from the plan or changes in the composition of the board of directors, ownership, or chief executive officer that the OCC has not approved may result in withdrawal of preliminary conditional approval.

This approval is subject to the following conditions:

1. The Bank must obtain the prior approval of the Federal Deposit Insurance Corporation (FDIC) to become an "insured depository institution" within the meaning of 12 U.S.C. 1813(c)(2).
2. The Bank will maintain status as an "insured depository institution" within the meaning of 12 U.S.C. 1813(c)(2).
3. At the earliest practicable time, the Bank will provide notice to the OCC of any action initiated or taken by the FDIC that is directed toward termination of the Bank's status as an insured depository institution.
4. In the event the FDIC initiates or takes any action to terminate the Bank's status as an "insured

depository institution," the Bank must request and obtain the prior approval of the OCC before continuing operation as a non-FDIC insured national bank. In determining whether to approve the continued operation by the Bank as an uninsured national bank, the OCC may impose additional conditions upon the Bank. Such conditions shall be regarded as "conditions imposed in writing by the agency in connection with the granting of any application or other request by the depository institution" within the meaning of 12 U.S.C. 1818(b)(1).

5. The limitations of the Bank's activities must be enumerated fully in its Articles of Association. Specifically, the articles must state:
 - The business of the association will be limited to that of a national credit card bank.
 - The Bank must obtain the prior written approval of the OCC before amending its Articles of Association to expand the scope of its activities and services.
6. The Bank must maintain on file on its premises current financial information on Fingerhut Companies, Inc., i.e., audited annual financial reports, quarterly financial statements, 10-K and 10-Q reports, 8-K reports as appropriate, and any other publicly available financial data required to be prepared by the company(ies) to keep investors apprised of their financial condition. The financial information must be provided to the Bank's supervisory office once it becomes available.

It is to be expressly understood that the OCC's authority to impose conditions under # 4 above, is in addition to, and not in substitution of, any other authority the OCC presently possesses--or may come to possess--for uninsured national banks.

Please be advised that the above conditions shall be deemed to be conditions "imposed in writing by the agency in connection with the granting of any application or other request" within the meaning of 12 U.S.C. 1818.

The Bank may offer credit life, health, and accident insurance in accordance with 12 C.F.R. 2.

In addition, our approval is based on the following representations made by the Company in connection with its application to charter the Bank:

Any services performed by affiliates for the Bank and payments to said affiliates by the Bank will be rendered pursuant to contracts which comply with federal law and regulation, reflect safe and sound practices, and are at costs similar to what the Bank would pay an independent third party for the same services.

The Bank will not file a financing statement on the receivables in favor of the Company until it has received payment for the receivables or until payment is in process.

Based on OCC No Objection Letter 93-01, OCC concludes that the Bank is not a depository institution for the purposes of the Depository Institutions Management Interlocks Act (DIMIA), 12 U.S.C. 3201, as long as it does not accept deposits from the public. Consequently, the OCC has no objection if Mr. Lund serves as director at both the Bank and BANKFIRST, N.A.

You may now establish the corporate existence of the Bank and forward the Articles of Association and Organization Certificate to the Midwestern District Office. As a legal entity, you may begin to take those steps necessary for obtaining final approval, but you may not begin the business of banking until you fulfill all requirements for a bank in organization and final approval is granted (See Organization Instructions - New Bank Charters enclosed).

Enclosed are procedural requirements that must be met before the Bank will be allowed to commence business. Please note that some of the requirements referenced in the enclosed package may not be applicable since the Bank's activities will be limited to those of a national CEBA credit card bank. Management must ensure that the applicable policies and procedures are established and adopted by the Board of Directors before the Bank commences business.

We require that, prior to opening, the Bank engage an independent, external auditor to perform an audit according to generally accepted auditing standards of sufficient scope to enable the auditor to render an opinion on the financial statements of the Bank. The audit period shall commence on the date that the organizing group forms a body corporate and may end on any calendar quarter-end no later than 12 months after the Bank opens. We expect that such audits will be performed on an annual basis for at least five years following commencement of operations. Engagement of an auditor will be verified during the pre-opening examination.

The OCC has no objection to the following persons serving as executive officers as proposed in the application: Terry H. Hughes, as Chief Executive Officer; Harold S. Ruttenburg, President; and, Glen J. Carnahan, Chief Financial Officer. Please note that background checks which were requested by this office on Terry Hughes have not yet been received. While we have decided not to delay action pending receipt of these responses, if adverse or previously withheld information is received, this Office may consider other remedies available to us under other statutes.

Additional executive officers are subject to the OCC's prior review and clearance. Also please note that the OCC requires that you obtain prior approval of additions or changes in executive officers and directors for two years after the Bank opens for business.

Your check for \$3,100 payable to the Comptroller of the Currency, along with the Articles of Association and Organization Certificate, should be forwarded to the OCC within thirty days.

The OCC will send to you under a separate cover an appropriate set of OCC handbooks, manuals, issuances, and selected other publications.

The Bank has submitted an application to be designated as a "limited purpose bank" for CRA purposes in accordance with 12 CFR 25.25(b). OCC approval of that request is enclosed.

You should direct any questions concerning this preliminary conditional approval to Ellen Shepherd, Licensing Manager in the Midwestern District Office, at (816) 556-1816.

Sincerely,

/s/

Nancy Cody

NBE/Senior Bank Structure Analyst

Bank Organization and Structure

Enclosures: Organization Instructions - New Bank Charters

Organization Checklist

Minimum Policies and Procedures

Procedural Requirements

Limited Purpose Designation