

# J.C. Penney

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billion in sales — roughly 51 percent of all purchases in J.C. Penney's retail stores.

J.C. Penney told federal banking regulators that the new bank also could be used as a mechanism for diversifying into "other products and services typically associated with a bank credit card program."

The U.S. Comptroller of the Currency, the government agency that issues bank charters, is expected to take several months reviewing the application, which was filed on July 10.

Russ Longyear, chief spokesman at J.C.

Penney headquarters, said it is too early to gauge what effect establishing the bank would have on J.C. Penney's work force.

The company currently runs its credit card operation from Dallas, with 14 regional service centers across the country and three processing centers in San Antonio, Albuquerque, N.M., and Orlando, Fla.

The bank charter application refers to the possibility of utilizing J.C. Penney's existing administrative infrastructure.

Longyear cautioned, however, that executives have not yet outlined detailed plans for developing the bank in relationship to the rest of the company.

"That'll take place over the next several

months, as they plan it," he said.

The bank actually would be J.C. Penney's second. It would be located next to a bank the company purchased in 1983 as a way of getting into the business of issuing Visa and MasterCard credit cards.

J.C. Penney National Bank, as the other institution is named, has assets of more than \$500 million.

But because J.C. Penney is not a full-scale banking company, it is restricted by federal law from getting involved in other banking activities, most notably issuing commercial loans.

"We have everything that the law allows us to have," said David Jones, president of

J.C. Penney National Bank.

Faced with a growing number of retail companies interested in opening their own credit card banks, Congress last year made it easier to create "non-bank banks" under revisions to the Competitive Equality Banking Act.

Ellen Stockdale, spokeswoman for the Comptroller of the Currency, said other retailers already taking advantage of the new law include Dillard Department Stores, Lord & Taylor, The Limited and Victoria's Secret.

Stockdale said opening such a bank requires a capital investment as well as a restructuring of company activities.

"It's a big business decision," she said. "But it's an idea whose time had come."

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— Ellen Stockdale, spokeswoman  
U.S. Comptroller of the Currency

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Named as chief executive officer for J.C. Penney's new bank is Donald Heise, who currently heads the company's consumer banking division in Dallas. Heise declined to be interviewed about the new business venture.

The company's bank charter application lists Heise and four other organizers of the new bank, asserting that the group possesses vast experience in financial services and credit card management.

A "streamlined" evaluation of the application is requested on the grounds that J.C. Penney has 30 years of experience in the credit card business and that it has demonstrated "prudent management" in its existing Delaware bank.

The company also has hired the Washington law firm of Morrison & Foerster to assist in its attempts to obtain the bank charter.

Officials with the Comptroller of the Currency said it would take at least a few months to evaluate J.C. Penney's application.

Longyear said the new bank would be located in Delaware rather than Texas because "that is where our experience is."

Delaware also is attractive for such ventures because the state places no restrictions on the interest rates companies can charge on their credit cards.

George Tarranova of the Delaware Banking Commissioner's office said some companies have opened two banks — not to operate two separate programs like J.C. Penney, but because business has grown so briskly.

Tarranova praised J.C. Penney's management, speculating that the second bank has been under study for a long time.

"They're real sharp guys," he said.