NAIB
National Association of Industrial Bankers

Industrial Banks -
Serving Main Street Consumers & Businesses

For many years advocacy groups have described financial services public policy issues under the rubric "Wall Street vs. Main Street." While that debate may have meaning in the political world, in reality, at a time when consumers and small businesses alike face the weakest economic recovery in decades, reliable access to credit remains a top priority for consumers and businesses alike.

Let's look at some examples:

- A New York City **taxi driver** scrimps and saves a down payment to buy his own taxi. To operate in NYC he needs to buy a "medallion"—the license disk required by the city's taxi commission—which costs a daunting $700,000.
- A small town **contractor** has achieved a reputation as a premier installer of energy efficient windows and wants to offer his customers on the spot financing to increase sales and to be paid immediately for his work.
- A local **car dealer** needs cash management services that will allow her to manage dealership funds from her desktop.
- **New parents** want to plan for future health costs and save on their taxes. They decide to open a Health Savings Account.
- A **small businesswoman** relies on mail to ship her products, send invoices and communicate with customers. She needs flexibility and convenient access to fund her postage needs via a small business line of credit or to prepay for postage all while earning interest on those funds.
- A **growing company** needs reliable inventory financing and a suite of deposit products tailored to its business cycle.
- A **motorcycle enthusiast** is eager buy his first bike. He needs a lender who understands motorcycle values and insurance.

What do these customers have in common?

An Industrial Bank Served these American Consumers & Businesses

Industrial Banks have a proven track record

Since 1910, Industrial Banks (often called Industrial Loan Companies or ILCs) have provided diverse financial solutions with distinction.

These companies—the only type of bank charter that can be owned by a commercial company — are the most stable and profitable segment of the banking industry.

The Dodd-Frank Act imposed a moratorium on new industrial bank charters, and directed the Government Accountability Office (GAO) to study whether industrial banks pose any special threat to the stability of the financial system. As expected, the GAO found no such threat.

As Dr. James R. Barth, senior finance fellow at the Milken Institute and the Lowder Eminent Scholar in Finance at Auburn University, studied these banks and concluded: "Overall, ILCs have operated successfully, serving their customers during the past 20 years, and as a group, they came through the recent crisis in better shape than most other financial institutions."

Industrial Banks have a track record that underscores the strength of the industry, even after absorbing the impacts of the financial crisis and the recession. Industrial Banks in aggregate have a significantly higher ratio of capital to assets; are significantly and consistently more profitable; and have a higher return on assets than the banking industry as a whole.

While hundreds of traditional banks failed during the crisis, industrial banks continued to meet the needs of their customers.This performance was made possible in part, by the strength and financial support of their parent companies.

Industrial Banks are well regulated

Industrial Banks are subject essentially to all of the same restrictions and requirements and regulatory oversight imposed on all other banks in the United States.. Furthermore, industrial banks undergo rigorous safety and soundness exams as well as compliance exams.

Global competitiveness and capital access

Restrictions on commercial ownership of banks places the United States out of step with most developed countries around the world. According to the World Bank, only four of 142 countries (the US along with Fiji, Guernsey and the Isle of Man) prohibit the ownership of banks by commercial firms. There is empirical evidence that continued restriction on U.S. industrial banks impacts our global competitiveness and access to capital.

For more information go to IndustrialBankers.org

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