

ANALYSIS



SOURCE OF STRENGTH AND CONSOLIDATED SUPERVISION: A Comparative Assessment of Industrial Banks and Commercial Banks

JAMES R. BARTH
Department of Finance
Auburn University

YANFEI SUN
Department of Finance
Ryerson University

JULY 2021

I

Introduction

Industrial loan companies have been successfully operating in the U.S. since the early 1900s. In the early years, such companies offered financial services to industrial workers, and operated much like finance companies. Over time the business models of these financial institutions like commercial banks adapted to the changing financial marketplace by offering a changing mix of financial services, leading many to refer to them as industrial banks (IBs).² Throughout their existence, moreover, they have operated as state-chartered banks and therefore subject to state regulation and supervision.³ Also, IBs like many other banks are not members of the Federal Reserve System and therefore not subject to its regulation and supervision. However, in 1982, the U.S. Congress made all IBs eligible for deposit insurance and therefore subjected them to additional regulation and supervision by the Federal Deposit Insurance Corporation (FDIC).

Today, IBs operate a variety of business models like other banks and are regulated no differently than other banks (see Appendix 1). And there are two basic types of IBs, depending on the ownership structure. One type is those IBs owned by financial firms,

while the other type is those owned by nonfinancial, or commercial, firms. While the two types have different types of parents and may target different markets, they are treated the same as far as regulation is concerned. The

Bank Holding Company Act, however, permits a parent company to own an IB without becoming subject to regulation and supervision by the Federal Reserve as a bank holding company. Some consider the lack of consolidated

supervision by the Federal Reserve of parent commercial companies owning IBs as a potential threat to the safety and soundness of the IBs, and potentially even overall financial stability.⁴ Also, some have expressed a concern that the parent companies of IBs may not serve as a source of strength if their subsidiary IBs encounter financial difficulties. The report addresses these issues and as will be discussed finds that the available evidence indicates there is no need for any corrective legislative action.

At the outset, it is important to realize that there were only 25 IBs in existence, 19 financially owned and 6 commercially owned,

TODAY, IBs OPERATE A VARIETY OF BUSINESS MODELS AND ARE REGULATED NO DIFFERENTLY THAN OTHER BANKS. ONE TYPE IS OWNED BY FINANCIAL FIRMS, THE OTHER IS OWNED BY NONFINANCIAL, OR COMMERCIAL, FIRMS.



IT IS IMPORTANT TO REALIZE THAT FOR MOST BANK HOLDING COMPANIES, AS THE FINANCIAL PERFORMANCE OF THE BANK GOES, SO GOES THE PERFORMANCE OF THE PARENT.

with \$183 billion in total assets at year-end 2020. In contrast, there were 5,001 banks with \$21,884 billion in total assets throughout the nation at year-end 2020. In short,

IBs represent 0.5 percent of all banks and 0.8 percent of all bank assets, which undermines any view that IBs represent a serious threat to overall financial stability, and certainly a more serious threat than banks. For a more comparable comparison, the top 25 banks, which also represent 0.5 percent of all banks, account for 65 percent of all bank assets. This suggests that the serious threat to overall financial stability is not the 25 IBs, but instead the top 25 banks.

Also, it is important to realize that for most bank holding companies, as the financial performance of the bank goes, so goes the performance of the parent. This is generally not the case for firms that own IBs. As the table to the right shows, on average, the parents of both financially and commercially owned IBs are far better capitalized, and their subsidiaries' equity (assets) is a relatively small share of capitalization (assets) as compared to the parents



of banks. Moreover, both the financially owned and commercially owned IBs themselves are far better capitalized than the banks. In terms of serving as a source of strength, it is the holding companies of IBs, rather than the holding companies of banks, that are more likely to be able to fulfill this role. Indeed, since most bank holding companies have relatively few assets beyond the equity in their subsidiaries and thus little equity of their own apart from that of their subsidiaries, bank holding companies are typically unable to provide the necessary source of strength support to prevent their bank subsidiaries from failing.

BANKS			
COMMERCIALY OWNED IBs			
FINANCIALLY OWNED IBs			
Parent capital-to-asset ratio (%)	17.09	20.70	9.72
Subsidiary assets as % of parent's assets	34.42	6.22	89.93
Subsidiary equity as % of parent's equity	36.84	23.67	89.92
Subsidiary capital-to-total assets (%)	20.32	15.49	9.70

SOURCE OF STRENGTH AND CONSOLIDATED SUPERVISION
A Comparative Assessment of Industrial Banks and Commercial Banks

Recently, two new financially owned IBs were approved: Nelnet Bank on November 2, 2020, and Square Financial Services, Inc. on March 1, 2021.⁵ Importantly, according to David Perkins (2020), “FDIC Chairman Jelena McWilliams’s official statements noted that both had been approved under certain conditions, including that the new [IBs] must hold significantly higher capital levels than typical banks, and the parent companies must be able to act as sources of strength for the depositories.” More generally, the FDIC approved, on December 15, 2020, a final rule that clarifies how it intends to treat applications to insure IBs or to merge with

“...THE NEW [IBs] MUST HOLD SIGNIFICANTLY HIGHER CAPITAL LEVELS THAN TYPICAL BANKS, AND THE PARENT COMPANIES MUST BE ABLE TO ACT AS SOURCES OF STRENGTH FOR THE DEPOSITORIES.”

or acquire control of an IB. According to Bob Jaworski (2021), “[t]he final rule requires a Covered Company to enter into (1) one or more written agreements with both the FDIC and the subsidiary IB that contain commitments by

the Covered Company to comply with specified reporting, record-keeping, and other requirements, and (2) such other written agreements, commitments or restrictions as the FDIC deems appropriate, (3) have less than 50 percent direct or indirect repre-

sentation on each subsidiary IB Board, (4) maintain each subsidiary IB’s capital and liquidity at levels the FDIC deems appropriate, and take such other actions as the FDIC deems appropriate to

provide the subsidiary IB with a resource for additional capital and liquidity, and (5) execute a tax allocation agreement with each subsidiary IB to ensure that the IB is not prejudiced by the filing of a consolidated tax return.” Even before the new rule, according to Mehrsa Baradaran (2010), “... the FDIC is armed with sufficient oversight and enforcement powers to prohibit certain ownership arrangements and to stop harmful activities of IB commercial parents. If there is a potential for risk, the FDIC will prohibit bank ownership in the first place and, subsequently, take measures to reduce risk within a commercial-banking affiliation.”

The purpose of this report is to examine in more detail the difference, in terms of serving as a source of strength, between holding companies of IBs versus holding companies of banks. Such an examination enables one to assess the argument that bank hold-

THE PURPOSE OF THIS REPORT IS TO EXAMINE IN MORE DETAIL THE DIFFERENCE, IN TERMS OF SERVING AS A SOURCE OF STRENGTH, BETWEEN HOLDING COMPANIES OF IBs VERSUS HOLDING COMPANIES OF BANKS.



ing companies are in a better position to be a source of strength than the holding companies of IBs. Some, moreover, believe that IB holding companies are more likely to be a potential threat to financial instability than bank holding companies. This leads to the argument that IB holding companies should be subjected, like bank holding companies, to consolidated supervision by the Federal Reserve. Both the source of strength and consolidated supervision issues are examined to better determine the extent to which a serious enough problem exists that requires any corrective legislative action. The data presented demonstrates no corrective action regarding IBs is needed.



Informative Data on the IB Industry⁶

Financial information is essential to determine whether IBs and their parent companies pose any serious threat to the banking sector as well as broader financial markets. There are four main areas in which data are informative: (1) size, capitalization, and performative comparisons of IBs with banks, (2) comparative performance of IBs and banks during stressful periods like the Great Recession of 2007 to 2009, (3) the relative



importance of parent companies for subsidiary IBs as compared to the parent companies of subsidiary banks, including serving as a source of strength, and (4) how the U.S. treats bank ownership by non-financial firms as compared to other countries around the world. We now turn to presenting and discussing the data.

BOTH THE SOURCE OF STRENGTH AND CONSOLIDATED SUPERVISION ISSUES ARE EXAMINED TO BETTER DETERMINE THE EXTENT TO WHICH A SERIOUS ENOUGH PROBLEM EXISTS THAT REQUIRES ANY CORRECTIVE LEGISLATIVE ACTION.

A. Size, Capitalization, and Performance Comparisons of IBs and Banks

Table 1 provides various information for the 25 IBs for the fourth quarter of 2020. The 19 financially owned IBs have \$166 billion in total assets and range in size from a low of \$25 million to a high of \$87 billion in assets.⁷ The largest IB accounts for slightly over half of the aggregate assets. In contrast, the commercially owned IBs have \$18 billion in total assets and range in size from a low of \$44 million to a high of \$12 billion in assets.

In terms of serious potential threats to the FDIC insurance fund and broader financial stability, consider that all 25 IBs have total

assets of \$183 billion, while the 4,976 non-IB, FDIC-insured institutions have total assets of \$22 trillion, which is 118 times larger. Moreover, the total assets of all the non-IB, FDIC-insured institutions are 1,237 times larger than those of the commercially owned IBs.

The table also shows that in the aggregate both the financially owned and commercially owned IBs have higher equity capital-to-asset ratios and better financial performance measures

(i.e., ROAs, ROEs, and efficiency ratios) than the non-IB, FDIC-insured institutions. The better overall financial condition of the IBs is not restricted to the fourth quarter of 2020.

MOREOVER, THE TOTAL ASSETS OF ALL THE NON-IB, FDIC-INSURED INSTITUTIONS ARE 1,237 TIMES LARGER THAN THOSE OF THE COMMERCIALY OWNED IBS.

Figures 1 and 2 show the same situation existed for almost every year from 2000 to 2020, which includes the Great Recession. As regards the negative ROA for the commercially owned IBs in the earlier years, it is due to three IBs that were established and lost money in those years. At the same time, the high capital-to-asset ratio for the commercially owned IBs in the earlier years is also due to the same three IBs that were established and highly

capitalized in those years.⁸ More detailed information about the ROAs and capital-to-asset ratios for each of the IBs in Table 1 is provided in Appendices 2 and 3.

THE FDIC IS ARMED WITH SUFFICIENT OVERSIGHT AND ENFORCEMENT POWERS TO PROHIBIT CERTAIN OWNERSHIP ARRANGEMENTS AND TO STOP HARMFUL ACTIVITIES OF IB COMMERCIAL PARENTS.

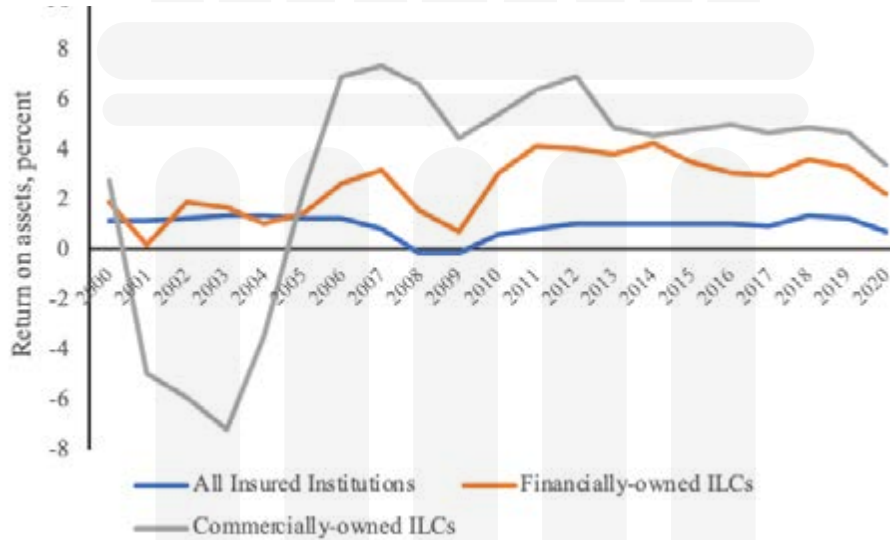


Table 1. Selected Information for Currently Active IBs, 2020Q4

IB Banks	State	Commercially Owned	Date of establishment	# FTE Employees	Assets (\$ thousands)	Capitol to Asset Ratio (%)	Deposite to Asset Ratio (%)	ROA (%)	ROE (%)	Efficiency Ratio (%)
Sallie Mae Bank	UT	No	11/28/2005	1,688	30,805,521	8.60	75.32	2.97	37.87	27.74
UBS Bank USA	UT	No	9/15/2003	460	87,260,490	8.29	90.87	1.20	12.99	19.17
Optum Bank, Inc	UT	No	7/21/2003	376	13,440,870	14.96	79.74	2.27	15.09	28.53
Hatch Bank	CA	No	1/2/1982	5	180,754	15.47	79.87	0.91	3.38	65.72
USAA Savings Bank	NV	No	9/27/1996	8	1,808,776	19.50	11.26	7.50	39.34	81.10
LCA Bank Corporation	UT	No	1/26/2006	57	206,527	12.58	57.36	0.95	7.30	53.30
Medallion Bank	UT	No	12/22/2003	87	1,294,798	16.87	82.50	0.20	1.14	33.77
Comenity Capital Bank	UT	No	12/1/2003	142	8,575,605	11.56	72.45	-0.06	-0.52	53.96
WEX Bank	UT	No	6/1/1998	67	2,109,409	13.63	79.93	4.65	38.34	80.47
The Morris Plan Company of Terre Haute, Inc.	IN	No	7/27/1962	27	120,835	23.77	75.53	4.14	17.07	28.50
Minnesota First Credit and Savings	MN	No	1/1/1956	10	25,454	16.53	79.92	0.35	2.18	91.28
Balboa Thrift and Loan Association	CA	No	12/11/1980	86	322,671	13.62	85.98	1.02	7.84	52.70
Merrick Bank	UT	No	9/22/1997	378	4,439,614	24.25	74.57	6.34	27.36	27.77
Finance Factors, Ltd	HI	No	5/14/1952	119	589,003	12.25	75.94	0.71	5.94	77.14
Beal Bank USA	NV	No	8/2/2004	134	7,299,289	32.95	65.47	2.15	6.64	54.28
Celtic Bank	UT	No	3/1/2001	264	4,218,429	6.43	22.74	2.72	34.86	32.61
Community Commerce Bank	CA	No	10/1/1976	45	336,648	16.05	69.33	0.59	3.46	66.95
WebBank	UT	No	5/15/1997	105	2,686,814	7.90	13.24	2.58	27.71	33.38
Nelnet Bank	UT	No	11/2/2020	16	216,939	46.92	52.11	-0.03	-0.06	47.71
Square Financial Services, Inc.	UT	No	3/1/2021							
Eaglemark Savings Bank	NV	Yes	8/25/1997	105	116,152	10.90	71.00	5.28	37.43	74.10
First Electronic Bank	UT	Yes	10/5/2000	60	43,588	39.33	49.67	3.20	8.29	86.84
EnerBank USA	UT	Yes	6/3/2002	414	3,143,139	9.09	89.29	1.99	21.96	37.28
BMW Bank of North America	UT	Yes	11/12/1999	27	11,505,711	14.24	67.37	0.99	6.92	25.32
Toyota Financial Savings Bank	NV	Yes	8/16/2004	66	1,967,445	9.87	79.32	0.42	3.66	53.60
The Pitney Bowes Bank, Inc.	UT	Yes	1/16/1998	21	770,556	9.53	84.45	8.21	81.87	6.12
Financially owned IBs Totals (19)				4,074	165,938,446	10.89	80.29	1.93	17.05	43.13
Commercially owned IBs Totals (6)				693	17,546,591	12.66	73.37	1.47	11.30	30.72
All IBs Totals (25)				4,767	183,485,037	11.06	79.63	1.88	16.41	42.26
National Totals without IB Totals (4,976)				2,060,758	21,700,384,306	10.27	81.46	0.71	6.77	61.97
National Totals (5,001)				2,065,525	21,883,869,343	10.18	81.45	0.71	6.86	61.74

Source: FDIC. Note: The ratios are calculated based on the aggregated data. Information for Square Financial Services, Inc. is not available at the time of the report given that it came into existence in March 2021

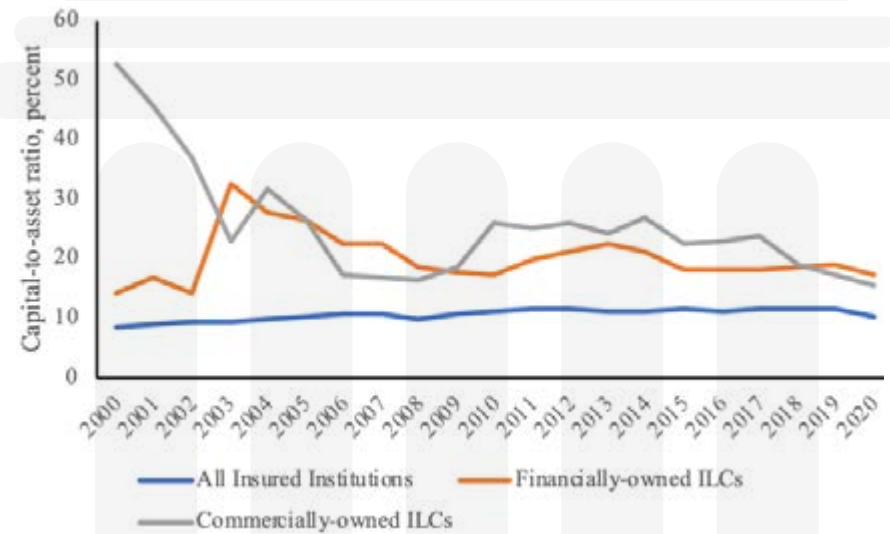
Figure 1. Return on Assets: Currently Active IBs Outperform All FDIC-Insured Institutions



Source: FDIC.

Note: The ROA for IBs is the average of the IBs' ROA. The negative ROA for the commercially owned IBs in the earlier years is due to three IBs that were established and lost money in those years.

Figure 2. Capital-to-Asset Ratio: Currently Active IBs Have Higher Ratios Than All FDIC-Insured Institutions



Source: FDIC.

Note: The capital-to-asset ratio for IBs is the average of the IBs' capital-to-asset ratios. The high capital-to-asset ratio for the commercially owned IBs in the earlier years is due to three IBs that were established and highly capitalized in those years.

B. Comparative Performance of IBs and Banks During Stressful Periods

Figure 3 provides information on the number of failures of IBs and banks as well as the associated losses to the FDIC over the period 1986 to 2020. There were 23 IBs that failed and the associated losses to the FDIC were \$780 million over the period. Of the failed IBs, seventeen were in California and almost all of the failures were structured like traditional community banks and their parents were like more traditional bank holding companies.

“...[A] REVIEW OF THE RECORD DEMONSTRATES THAT FDIC FUNDS HAVE NEVER BEEN USED TO HELP AN IB WITH A COMMERCIAL PARENT...”

Importantly, according to Mehrsa Baradaran (2010), “[t]hroughout the history of IB existence, including the current financial crisis, not one commercial-ly-owned IB has failed or

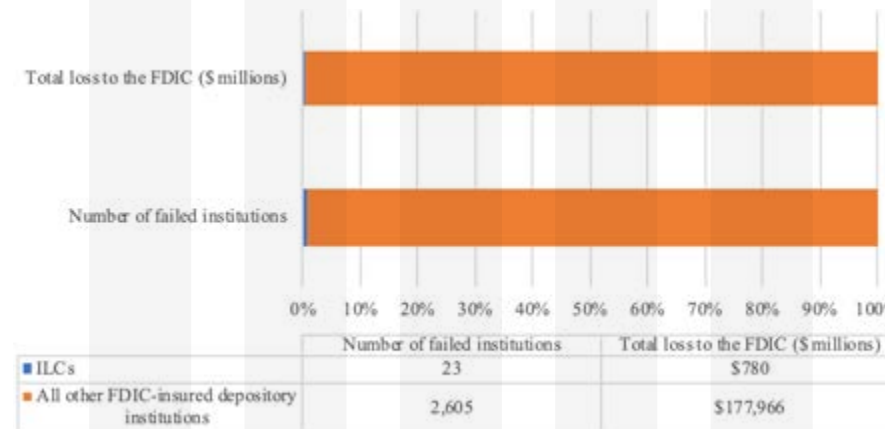
caused even one dollar of loss to the FDIC insurance fund”. She adds “[a] review of the record demonstrates that FDIC funds have never been used to help an IB with a commercial parent. Indeed, according to Mehrsa Baradaran (2010), “GE’s IB and its parent [had] an income maintenance agreement wherein the GE parent funnels cash to its financing arm when it falls below a threshold.



They injected \$9.5 billion in the first quarter of 2009 and will continue to support the IB.” As a result, GE’s IB did not fail but was voluntarily closed in April 2016. Also, Mehrsa Baradaran (2010) states “[m]ost IBs have similar income maintenance agreements, and several have been aided by their parent companies in the last two years during times of significant financial pressure.”

In contrast to the 23 IB failures, 2,605 non-IB banks failed with associated losses to the FDIC of \$178 billion. Given these substantial differences, one can barely see the percentage of failures and losses due to the limited role played by IBs in the two charts in Figure 3.⁹

Figure 2. Capital-to-Asset Ratio: Currently Active IBs Have Higher Ratios Than All FDIC-Insured Institutions



Source: FDIC bank failures and assistance data, <https://banks.data.fdic.gov/explore/failures>.

Table 2 provides information for firms that were recipients of funds from the Troubled Asset Relief Program (TARP) due to the housing boom and bust and ensuing Great Recession that occurred during the second half of the period 2000 to 2010. The table shows the total number of recipients and total disbursement for all firms, banks, or bank holding companies, and IBs or IB holding companies. Also, it shows the names of the firms, types of firms, state of firms, and amount disbursed to each of the top 25 firms, ranked by disbursement amount. Furthermore, data at the bottom of the table indicate that 987 firms received \$634 billion in TARP funds. Of the firms, 758 were banks, or bank holding companies, which received \$236 billion. Only one firm was an IB and it received \$21 million of the total \$634 billion disbursed, or a trivial percentage of the total. As regards IB holding companies, there were only six holding companies of IBs that received TARP funds (American Express, CIT Group, General Motors Acceptance Corporation (GMAC), Goldman Sachs, Merrill Lynch,¹⁰ and Morgan Stanley) in contrast to the other 981 firms that received such funding. The six firms received \$95 billion in TARP funds, or 15 percent of the total amount disbursed. Of course, there is no evidence that even if the six holding companies had been subjected to consolidated supervision by the Federal Reserve, they would have not received TARP funds.



Table 2. Troubled Asset Relief Program Recipients: Top 25 Firms, All Firms, and IBs

Name	Type	State	Total disbursement (\$MM)
Fannie Mae	GSE*	DC	119,836
Freddie Mac	GSE*	VA	71,648
AIG	Insurance Company	NY	67,835
General Motors	Auto Company	MI	50,745
Bank of America	Bank	NC	45,000
Citigroup	Bank	NY	45,000
JPMorgan Chase	Bank	NY	25,000
Wells Fargo	Bank	CA	25,000
GMAC (now Ally Financial)	Financial Services Company	MI	16,290
Chrysler	Auto Company	MI	10,748
Goldman Sachs	Bank	NY	10,000
Morgan Stanley	Bank	NY	10,000
PNC Financial Services	Bank	PA	7,579
U.S. Bancorp	Bank	MN	6,599
SunTrust	Bank	GA	4,850
PHH Mortgage, a subsidiary of Ocwen	FC/MS**	FL	4,844
Capital One Financial Corp.	Bank	VA	3,555
Regions Financial Corp.	Bank	AL	3,500
Wellington Management Legacy	Securities PPIF MF, LP, IF***	DE	3,448
Fifth Third Bancorp	Bank	OH	3,408
Hartford Financial Services	Insurance Company	CT	3,400
American Express	Financial Services Company	NY	3,389
Wells Fargo Bank, NA	Mortgage Servicer	IA	3,361
AG GECC PPIF Master Fund, L.P.	Investment Fund	DE	3,352
JPMorgan Chase subsidiaries	Mortgage Servicer	NJ	3,217
Number of Recipients		Total disbursement (\$MM)	
Top 25 Firms	25	551,604	
Total for All Firms	987	634,264	
Banks	758	236,192	
IBs	1	21	

*Government-Sponsored Enterprise ** Financial Corporation/Mortgage Servicer

*** Securities PPIF Master Fund, LP, Investment Fund

Source: <https://projects.propublica.org/bailout/list> Note: Due to the financial crisis 758 banks received \$236 billion in financial assistance from the Troubled Asset Relief Program, but only one financially owned IB (Medallion Bank) was among these institutions.

MORE GENERALLY, THE DATA DO NOT SUPPORT THE VIEW THAT CONSOLIDATED SUPERVISION OF BANK HOLDING COMPANIES BY THE FEDERAL RESERVE IS SUPERIOR TO OVERSIGHT OF IBS AND THEIR PARENT COMPANIES BY THE FDIC AND STATE REGULATORS.

The IBs that were subsidiaries of the six holding companies did not fail but instead converted to bank charters, merged, or voluntarily closed. As regards the parent holding companies, one was a commercial company and the other

five were financial companies that owned IBs and thus not unlike bank holding companies. Also, as regards the commercial holding company, GMAC, its subsidiary IB did not receive TARP funds. Moreover, when talking about commercial holding companies of IBs receiving TARP funds, two commercial firms, Chrysler and General Motors, also received funds. And Chrysler did not own any subsidiary IBs or banks, which suggests that General Motors would also have likely received such funds even if it were not a parent company to GMAC.

More generally, the data do not support the view that consolidated supervision of bank holding companies by the Federal Reserve is superior to oversight of IBs and their parent companies by the FDIC and state regulators. A narrow and selective focus on only IBs

and their parent companies fails to provide the needed perspective to assess more fully the extent to which such firms represent a serious potential threat to financial stability as compared to banks and their holding companies. The omission of the data presented here may lead to a biased view of the ability of consolidated supervision by the Federal Reserve to prevent problems as compared to the supervision and oversight provided by the FDIC and state regulators.

Indeed, the evidence does not support the view that the regulation of bank holding companies by the Federal Reserve is more effective than the regulation of industrial bank parents by the states and FDIC as regards identifying and responding to risks of subsidiary banks. All the regulators have and use similar supervisory tools and actions, but the jurisdiction of IB regulators does not extend to activities of the parent that are irrelevant to the financial condition of the subsidiary bank. Also, as regards the obligation of a holding company to serve as a source of strength to the bank, an examination of the different business models, as shown in more detail below, indicates that most bank holding companies have few or no assets apart from the subsidiary bank and hence have no ability to support the bank if it needs additional capital or liquidity. In contrast, diversified parents of IBs hold substantial amounts of additional assets and thus can provide additional capital and liquidity



whenever needed, and are both legally and contractually obligated to do so if the need arises.

Furthermore, a bank holding company and all its non-bank subsidiaries are regulated by the Federal Reserve independently from the bank. The bank itself has different regulators, including the FDIC for state-chartered nonmember banks and the Office of the Comptroller of the Currency (OCC) for national banks. A relatively small number of state-chartered banks elect to be members of the Federal Reserve and are the only banks subject to the Federal Reserve's direct regulation. At the same time, all bank holding companies are prohibited from engaging in any activity directly or through a subsidiary that is not "closely related to banking." This means the Federal Reserve regulates all bank holding companies as thoroughly as it would a bank. It specifies minimum levels of capital and liquidity as well as credit underwriting standards for the bank holding company. However, the Federal Reserve is actually regulating the bank because the bank's financial statements are consolidated with the parent and represent most of the parent's assets, liabilities, and equity. As a result, the Federal Reserve essentially duplicates what the bank's regulator is doing. That is the only sense in which the Federal Reserve's regulatory model is "consolidated."



It is important to understand that consolidated regulation makes sense because a bank holding company can only engage in banking activities.

This model does not work well, however, for a diversified holding company because its

various kinds of businesses require different business models. A bank regulator is ill-equipped to set prudential financial standards and requirements for a manufacturer, retailer, or even many other types of financial services companies like an insurance company.

To regulate a diversified parent of an industrial bank, the FDIC and state regulators have developed a model that captures the relationship and transactions between an industrial bank and its parent. They regulate what is relevant to the bank and not other parts of a diversified parent company that have nothing to do with the bank. To fulfill their regulatory responsibilities, the FDIC and state regulators use essentially the same supervisory tools as the Federal Reserve employs to regulate a bank holding company. They conduct examinations, obtain other relevant information, issue cease and desist orders when appropriate, ban individuals who abuse their

A BANK REGULATOR IS ILL-EQUIPPED TO SET PRUDENTIAL FINANCIAL STANDARDS AND REQUIREMENTS FOR A MANUFACTURER, RETAILER, OR EVEN MANY OTHER TYPES OF FINANCIAL SERVICES COMPANIES LIKE AN INSURANCE COMPANY.

positions from banking, assess civil money penalties as needed, and, in an extreme case, they can unilaterally take possession of a bank and thereby terminate all control by the parent. This authority extends to every “institution affiliated party”, including a parent and affiliates, officers and directors of those companies, consultants, auditors, legal counsel, and anyone else influencing or directing matters affecting the bank.

DUE TO THE ACTIVITY RESTRICTIONS IMPOSED, IT MAKES LITTLE ECONOMIC SENSE FOR MOST BANK HOLDING COMPANIES TO HOLD MANY, IF ANY, ASSETS OTHER THAN THE BANK’S STOCK.

Due to the activity restrictions imposed, it makes little economic sense for most bank holding companies to hold many, if any, assets other than the bank’s stock. If the bank has financial

problems, the holding company is usually unable to sell more stock or other securities to raise capital without publicizing the bank’s problems and risking a run. This is evident from the large number of failed banks over time that had holding companies regulated by the Federal Reserve. Clearly, those holding companies had insufficient financial strength to support the subsidiary banks. In contrast, most IBs have ready access to all of the capital they may ever need through a diversified parent with substantial



assets apart from those of its subsidiary.

In summary, as Mehrsa Baradaran (2010) states, the “... economic crisis [2007 to 2009] has illustrated the

danger of a non-diversified banking system. The IB structure is currently the only place where the stabilizing relationship between commerce and banking takes place and, as demonstrated, the small industry has remained sound through a systemic financial collapse largely due to its commercial relationships.”¹¹

C. Importance of Parent Companies for Subsidiary IBs and Banks

Since the source of strength issue pertains to subsidiaries and their parent companies, it is important to examine data that can be informative about the relationship between the two firms. Table 3 presents information on the importance of parent holding companies for subsidiaries of banks and IBs. More specifically, information is provided on the extent to which the parent company can serve as a source of strength for the subsidiary bank as well as relevant comparative financial information for the parent companies and

MOST IBs HAVE READY ACCESS TO ALL OF THE CAPITAL THEY MAY EVER NEED THROUGH A DIVERSIFIED PARENT WITH SUBSTANTIAL ASSETS APART FROM THOSE OF ITS SUBSIDIARY.

the subsidiary banks. This is done for financially owned IBs, commercially owned IBs, and subsidiary banks of bank holding companies.

THE DATA INDICATE, MOREOVER, THAT THE PARENT COMPANIES OF THE COMMERCIALY OWNED IBs CAN SERVE AS A SOURCE OF STRENGTH FOR THE SUBSIDIARIES.

Panels A and B in the table pertain to financially owned and commercially own IBs, respectively. In general, the panels show that in the case of the firms

for which information is available, the assets and equity capital of the subsidiaries in most cases are a relatively small percentage of the parent companies' assets and equity capital. This is especially the case for commercially owned IBs. Also, both the parent companies and subsidiaries are relatively well-capitalized. The data indicate, moreover, that the parent companies of the commercial-ly owned IBs can serve as a source of strength for the subsidiaries. Furthermore, commercial firms like BMW and Toyota clearly do not wish to have their brands damaged by inappropriate behavior on the part of their subsidiary IBs, given their overriding dependency on the products produced by the parents. This provides such firms with an incentive to operate the IBs at all times safely and soundly.



Panel C in the table pertains to bank holding companies and their subsidiary banks.

The panel, in general, shows that the assets and equity capital of the subsidiary banks are a relatively large percentage of the parent companies' assets and eq-

uity capital. This contrasts with the situation for IBs and their parent companies. Importantly, the bank subsidiaries of bank holding companies are generally vital to the overall financial performance of the enterprise. In most cases, the reputation of the bank holding companies is highly dependent upon the reputation of the subsidiary bank, while the reverse is generally the case for commercially owned IBs and their parents. In short, for most bank holding companies, as the financial performance of the bank goes, so goes the performance of the parent. This is not the case for commercial firms like BMW and Toyota that own IBs.

IN MOST CASES, THE REPUTATION OF THE BANK HOLDING COMPANIES IS HIGHLY DEPENDENT UPON THE REPUTATION OF THE SUBSIDIARY BANK, WHILE THE REVERSE IS GENERALLY THE CASE FOR COMMERCIALY OWNED IBs AND THEIR PARENTS.

Table 3. Comparative Importance of Holding Company Parents for Subsidiary Banks/IBs, 2020Q4

Panel A. Financially owned IBs

PARENT COMPANY	PARENT COMPANY			FINANCIALLY OWNED IB	State	INDUSTRIAL BANK		
	Total assets (\$B)	Total equity capital (\$B)	Equity capital to total assets (1%)			IB assets as % of its parent's	IB equity as % of its parent's	Equity capital to total assets (%)
Alliance Data	22.55	1.52	6.75	Comenity Capital Bank	UT	38.03	65.13	11.56
Beal Financial Corporation	8.87	1.99	22.46	Beal Bank USA	NV	82.25	120.66	32.95
CardWorks	na	na	na	Merrick Bank	UT	na	na	24.25
Celtic Investment, Inc	na	na	na	Celtic Bank	UT	na	na	6.43
East Los Angeles Community Union	na	na	na	Community Commerce Bank	CA	na	na	16.05
Finance Enterprises, Ltd	na	na	na	Finance Factors, Ltd	HI	na	na	12.25
First Financial Corp.	4.56	0.60	13.10	The Morris Plan Company of Terre Haute, Inc.	IN	2.65	4.81	23.77
Hafif Bancorp Inc	na	na	na	Balboa Thrift and Loan Association	CA	na	na	13.62
Lease Corporation of America	na	na	na	LCA Bank Corporation	UT	na	na	12.58
Medallion Financial Corp.	1.64	0.30	18.54	Medallion Bank	UT	78.84	71.73	16.87
Minnesota Thrift Company	na	na	na	Minnesota First Credit and Savings	MN	na	na	16.53
Nelnet, Inc	22.65	2.63	11.61	Nelnet Bank	UT	0.96	3.87	46.92
Semperverde Holding Company	na	na	na	Hatch Bank	CA	na	na	15.47
SLM Corp	30.77	2.56	8.33	Sallie Mae Bank	UT	100.11	103.42	8.60
Square, Inc.	9.87	2.68	27.17	Square Financial Services, Inc	UT	0.67	2.08	84.30
Steel Partners Holdings LP	3.93	0.54	13.71	WebBank	UT	68.29	39.37	7.90
UBS AG	1,125.77	59.77	5.31	UBS Bank USA	UT	7.75	12.10	8.29
United Services Automobile Association	200.42	40.44	20.18	USAA Savings Bank	NV	0.90	0.87	19.50
UnitedHealth Group	197.29	68.33	34.63	Optum Bank, Inc	UT	6.81	2.94	14.96
WEX Inc.	8.18	1.90	23.28	WEX Bank	UT	25.78	15.10	13.63

Note: Data of Square Financial Services, Inc is based on the first quarter of 2021.

Panel B. Commercially owned IBs

PARENT COMPANY	PARENT COMPANY			COMERCIAALLY OWNED IB	State	INDUSTRIAL BANK		
	Total assets (\$B)	Total equity capital (\$B)	Equity capital to total assets (1%)			IB assets as % of its parent's	IB equity as % of its parent's	Equity capital to total assets (%)
BMW AG	261.33	74.21	28.39	BMW Bank of North America	UT	4.40	2.21	14.24
CMS Energy	29.67	6.08	20.48	EnerBank USA	UT	10.60	4.70	9.09
Fry's Electronics	na	na	na	First Electronic Bank	UT	na	na	39.33
Harley-Davidson	12.01	1.72	14.34	Eaglemark Savings Bank	NV	0.97	0.73	10.90
Pitney Bowes, Inc.	5.22	0.07	1.27	The Pitney Bowes Bank, Inc	UT	14.76	110.62	9.53
Toyota Motor Corp.	531.95	207.55	39.02	Toyota Financial Savings Bank	NV	0.37	0.09	9.87

Panel C. Banks

BANK HOLDING COMPANY	PARENT COMPANY			BANK	State	BANK		
	Total assets (\$B)	Total equity capital (\$B)	Equity capital to total assets (1%)			Bank assets as % of its parent's	Bank equity as % of its parent's	Equity capital to total assets (%)
JPMorgan Chase & Co.	3,386.07	279.49	8.25	JPMorgan Chase Bank, National Association	OH	89.34	96.63	8.93
Bank of America Corporation	2,819.63	272.92	9.68	Bank of America, National Association	NC	80.11	80.10	9.68
Citigroup Inc.	2,260.09	200.20	8.86	Citibank, National Association	SD	73.52	79.67	9.60
Wells Fargo & Company	1,955.16	185.92	9.51	Wells Fargo Bank, National Association	SD	90.42	91.92	9.67
U.S. Bancorp	553.91	53.73	9.70	U.S. Bank, National Association	OH	98.35	97.88	9.65
PNC Financial Services Group, Inc., The	466.86	54.04	11.58	PNC Bank, National Association	DE	99.19	85.13	9.93
Keycorp	171.37	17.98	10.49	KeyBank National Association	OH	98.60	98.13	10.44

Source: FDIC, Federal Reserve, Yahoo finance, and company websites. Note: The subsidiary bank is the biggest bank of the parent company.

D. The Extent of Bank Ownership by Non-Financial Firms in Countries Around the World

“[A]LTHOUGH THE UNITED STATES IS ONE OF THE MOST RESTRICTIVE BANKING REGIMES IN THE WORLD AND HAS LIMITED DATA ON THE EFFECTS OF MIXING BANKING AND COMMERCE, STUDIES DONE ABROAD CLEARLY DEMONSTRATE THE ECONOMIC BENEFITS OF THIS MIXTURE.”

It is important to realize that not all countries restrict the ownership of banks by non-financial firms to the same degree as the United States. This can be seen in Figure 4, which provides information on the degree to which countries restrict bank owner-

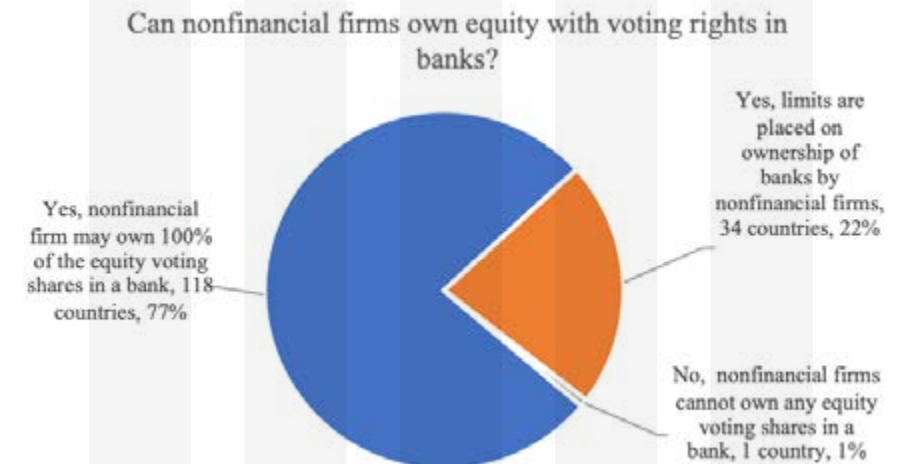
ship by non-financial firms in 153 countries based on a recent Bank Regulation and Supervision Survey conducted by the World Bank. Information is provided in the figure for all countries based on the question: Can nonfinancial firms own equity with voting rights in banks? It shows that in 118 countries nonfinancial firms may own 100 percent of the equity voting shares in a bank, while limits are placed on ownership of banks by nonfinancial firms in 34 countries. However, only one country prohibits non-financial firms from owning any equity voting shares in a bank. The U.S., therefore, is out of step with the rest of the countries in



the world. According to Mehrsa Baradaran (2010), “[a]lthough the United States is one of the most restrictive banking regimes in the world and has limited data on the effects of mixing banking and commerce, studies done abroad clearly demonstrate the economic benefits of this mixture.”

Of course, there are both benefits and costs associated with the mixture of banking and commerce. However, based on the informative data presented earlier, the regulation of IBs in the U.S. appears to have found an appropriate balance that allows benefits in the form of financial strength and stability that can come from non-financial diversity, while effectively preventing those activities that could be viewed as generating more than offsetting costs.

Figure 4. World Bank Survey, 2017



Source: World Bank, Bank Regulation and Supervision Survey, 2017.

<https://www.worldbank.org/en/research/brief/BRSS>.

Note: The data are based on answers to the questions by 153 countries.



Conclusion

Based on the examination of the difference, in terms of serving as a source of strength and consolidated supervision, between holding companies of IBs and holding companies of banks, we find that bank holding companies are not better positioned to be a source of strength than the holding companies of IBs. Nor do we find that IB holding companies are more likely to contribute to financial instability than bank holding companies. There is, therefore, no support for the argument that IB holding companies should be subjected, like bank holding companies, to consolidated supervision by the Federal Reserve. The bottom line is that the evidence presented indicates no corrective legislative action is needed to deal with industrial banks.

Looking ahead, as Keith Noreika, former acting Comptroller of the Currency, is reported as saying (see Michelle Price, 2017), “U.S. regulations that bar companies such as Wal-Mart Stores Inc from providing banking services need to be reviewed as they reduce competition thereby concentrating more risk among a smaller number of banks.” More generally, as Mehrsa Baradaran (2010) states “[p]olicymakers should reconsider regulation that

bans the relationship between commerce and banking and should usher in a more open financial system through a new regulatory structure that acknowledges the advances of the last several decades. Such openness between banking and commerce will require a new system of comprehensive oversight, which can be modeled after the successful IB regulatory structure.”

THE REGULATION OF IBs IN THE U.S. APPEARS TO HAVE FOUND AN APPROPRIATE BALANCE THAT ALLOWS BENEFITS IN THE FORM OF FINANCIAL STRENGTH AND STABILITY THAT CAN COME FROM NON-FINANCIAL DIVERSITY, WHILE EFFECTIVELY PREVENTING THOSE ACTIVITIES THAT COULD BE VIEWED AS GENERATING MORE THAN OFFSETTING COSTS.



THE UNIVERSITY OF UTAH

Footnotes

Barth is in the Department of Finance at Auburn University and Sun is in the Department of Finance at Ryerson University. The authors received funding from the National Association of Industrial Bankers and the Utah Association of Financial Services to work on the report.

² Industrial loan companies (ILCs) and industrial banks (IBs) are terms frequently used interchangeably. We will use the term industrial banks throughout the report, even substituting it for industrial loan companies in some quotes.

³ According to Brian Brooks (2021), former acting Comptroller of the Currency, "... many important regulatory innovations have arisen in state laboratories of experimentation, ... [including] ... industrial loan companies which have played an important role in specialty financial services for more than a century ...".

⁴ On April 15, 2021, the U.S. House of Representatives Subcommittee on Consumer Protection and Financial Institutions held a hearing on "Banking Innovation or Regulatory Evasion? Exploring Trends in Financial Institution Charters". In a separate report we find that the witnesses who testified at the hearing failed to provide sufficient evidence to justify consolidated supervision of IBs and their parent companies by the Federal Reserve.

⁵ All 26 IBs are in 6 states, with the states and numbers as follows: California (3), Hawaii (1), Indiana (1), Minnesota (1), Nevada (4), and Utah (16).

⁶ For a more thorough discussion of the history of IBs, see Barth and Sun (2020).

⁷ Information for Square Financial Services, Inc. is not available at the time of the report given that it came into existence in March 2021.

⁸ According to Robert DeYoung (2003) "...the typical 1-year-old de novo bank was smaller, better capitalized, less profitable, and was growing faster than the typical established bank."

⁹ According to Mehrsa Baradaran (2010), "... the current crisis [2007 to 2009] has served as an excellent "testing ground" for identifying risky banking structures. The IB industry has been vindicated through its success and stability, while other banks have faltered by the hundreds."

¹⁰ Merrill Lynch was acquired by Bank of America, which received \$10 billion in TARP funds for this transaction.

¹¹ She also states "Lawrence White, a member of the FHLBB [and now professor of economics at New York University], examined the crisis after he left office. In discussing savings-and-loan holding companies during the crisis, White concludes, "[t]he presence of companies involved in markets as diverse as autos, steel, wood products, retailing, public utilities, insurance and securities as holding company owners of thrifts has not created problems; the same would surely be true if these, or similar, companies had owned banks."



References

Baradaran, Mehrsa. "The IB and the Reconstruction of US Banking." *Southern Methodist University Law Review* 62 (2010): 1143.

Barth, James R., and Yanfei Sun. "Industrial banks: Challenging the traditional separation of commerce and banking." *The Quarterly Review of Economics and Finance* 77 (2020): 220-249.

Brooks, Brian P. Statement, Hearings on "Banking Innovation or Regulation Evasion? Exploring Modern Trends in Financial Institution Charters", Before the U.S. House of Representatives Committee on Financial Services, Subcommittee on Consumer Protection and Financial Institutions, April 15, 2021.

DeYoung, Robert. "The failure of new entrants in commercial banking markets: A split-population duration analysis." *Review of Financial Economics* 12, no. 1 (2003): 7-33.

Jaworski, Bob. FDIC adopts final rule regarding ILC applications. Holland & Knight LLP, (2021). Accessed May 13, 2021. <https://www.hkklaw.com/en/insights/publications/2021/01/fdic-adopts-final-rule-regarding-ilc-applications>.

Perkins, David W. Industrial loan companies (IBs): Background and policy issues. Congressional Research Service, 2020.

Price, Michelle. "U.S. regulator says time to review mixing banking with other businesses." *Reuters*, November 8, 2017.

Appendix 1. IBs vs. State Commercial Banks: Differences in Powers, Ownership Form and Regulatory Oversight

Capabilities	State commercial banks	Industrial banks
Ability to offer full range of deposits and loans	Yes	Yes*
Ability to export interest rates	Yes	Yes
Ability to branch interstate	Yes	Yes
Examination, supervision, and regulation by FDIC	Yes	Yes
FDIC may conduct limited scope exam of affiliates	Yes	Yes
Federal Reserve Act 23A & 23B, Reg. O, CRA apply****	Yes	Yes
Anti-tying restrictions apply	Yes	Yes
Full range of enforcement actions can be applied to the subsidiary depository institutions if parent fails to maintain adequate capitalization	Yes	Yes
Ability to accept demand deposits and commercial checking accounts	Yes	No**
Parent subject to umbrella federal oversight	Yes	No***
Parent activities generally limited to banking and financial activities	Yes	No
Parent serves as a source of strength	Yes	Yes, Dodd-Frank Act makes explicit
Chartered as a national institution	Yes	No
Chartered as a state institution	Yes	Yes
Golden Parachute restrictions apply	Yes	Yes
Parent could be prohibited from commencing new activities if a subsidiary depository institution has a CRA rating that falls below satisfactory	Yes	No
Parent could be ordered by a federal banking agency to divest of a depository institution subsidiary if the subsidiary become less than well capitalized	Yes	No
Control owners who have caused a loss to a failed institution may be subject to personal liability	Yes	Yes
Cross-guarantee requirement for affiliates	Yes	No

Source: James R. Barth and Yanfei Sun. "Industrial banks: Challenging the traditional separation of commerce and banking." *The Quarterly Review of Economics and Finance* 77 (2020): 220-249.

Note: * Including NOW (negotiable order of withdrawal) accounts. However, IBs with more than \$100 million in assets cannot accept demand deposits or offer commercial checking accounts; ** Except those IBs that have assets of less than \$100 million or IBs that were not acquired after August 10, 1987; *** Publicly traded parent companies are subject to SEC oversight. FDIC and Utah State regulators can perform examinations of parents of IBs; and **** Federal Reserve Act Sections 23A and 23B limit bank transactions with affiliates and the parent company. Regulation O limits loans to bank insiders and applies to all FDIC-insured institutions. CRA denotes the Community Reinvestment Act.

SOURCE OF STRENGTH AND CONSOLIDATED SUPERVISION
A Comparative Assessment of Industrial Banks and Commercial Banks

Appendix 2. ROA of Currently Active IBs

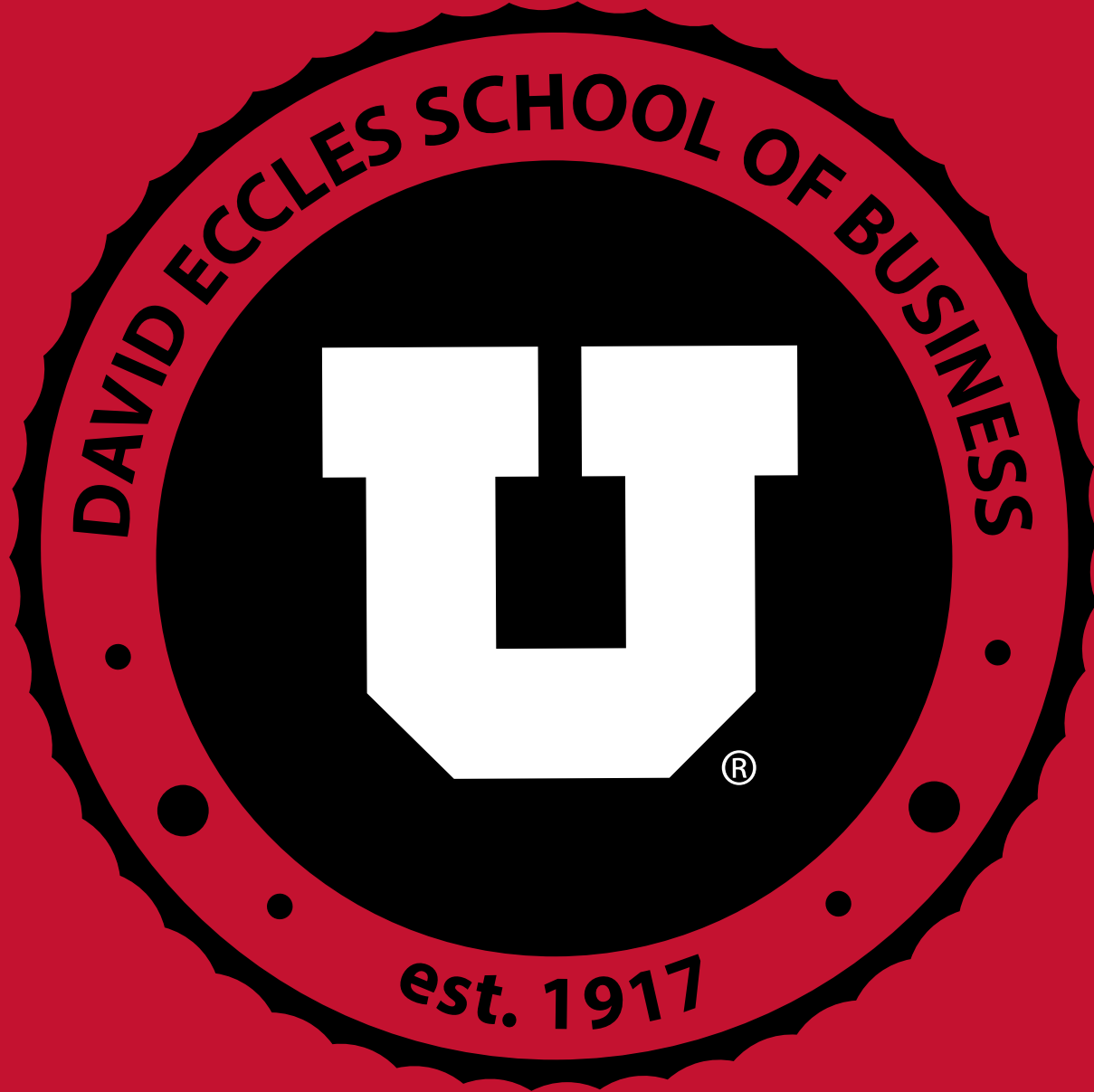
Financially owned IB	ST	Established	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Sallie Mae Bank	UT	11/28/2005						0.22	12.21	9.38	3.84	1.10	1.70	2.40	4.35	3.57	1.84	2.18	1.58	1.60	2.16	2.03	2.97
UBS Bank USA	UT	9/15/2003				0.18	0.69	1.14	1.49	1.11	0.92	0.63	0.81	1.18	1.34	0.87	0.96	1.05	1.17	1.28	1.82	1.71	1.20
Optum Bank, Inc	UT	7/21/2003				-3.75	-3.52	1.39	4.25	3.01	2.51	3.04	2.81	2.42	2.47	2.39	2.03	1.78	1.68	1.62	2.32	2.88	2.27
Hatch Bank	CA	1/2/1982	3.80	3.60	1.42	4.22	2.16	2.23	1.64	2.43	-1.23	0.21	5.68	8.18	2.77	0.36	0.53	1.54	1.63	1.34	0.33	-0.57	0.91
USAA Savings Bank	NV	9/27/1996	1.45	1.59	2.82	3.23	3.20	2.72	2.22	1.71	0.80	1.69	3.23	3.52	3.39	3.76	18.38	12.52	9.88	11.45	13.80	12.63	7.50
LCA Bank Corporation	UT	1/26/2006							-1.93	2.01	1.85	1.15	2.70	3.47	3.45	2.88	2.21	1.95	1.78	1.50	2.51	2.00	0.95
Medallion Bank	UT	12/22/2003				-4.17	2.20	2.29	2.21	2.05	1.07	1.45	2.17	2.57	2.90	2.40	2.91	2.33	0.18	0.42	0.53	2.07	0.20
Comenity Capital Bank	UT	12/1/2003				-0.40	-5.24	2.02	2.70	5.11	5.78	0.58	2.31	5.45	10.44	7.06	4.68	2.71	3.07	3.16	3.60	2.25	-0.06
WEX Bank	UT	6/1/1998	4.32	4.87	5.35	5.68	7.95	8.73	8.79	7.40	6.84	6.72	8.43	10.30	9.61	9.76	8.85	8.39	8.12	9.04	9.65	9.39	4.65
The Morris Plan Company of Terre Haute, Inc.	IN	7/27/1962	1.16	1.14	0.44	1.05	1.60	0.45	-1.40	0.54	1.12	1.44	3.70	4.60	4.41	4.17	3.94	3.92	4.13	2.86	3.64	3.73	4.14
Minnesota First Credit and Savings	MN	1/1/1956	1.28	1.08	1.00	1.00	0.91	0.93	0.84	0.76	0.55	0.52	0.57	0.63	0.68	0.73	0.65	0.69	0.61	0.73	0.44	0.32	0.35
Balboa Thrift and Loan Association	CA	12/11/1980	1.73	1.22	1.68	1.77	1.57	1.26	1.10	0.49	0.09	0.18	1.11	2.23	2.32	2.01	1.17	0.99	0.62	0.50	0.55	0.56	1.02
Merrick Bank	UT	9/22/1997	2.39	3.17	1.58	4.30	4.48	5.32	5.00	3.04	-0.32	0.54	4.43	8.35	7.32	7.25	7.13	6.82	5.07	2.09	6.00	5.46	6.34
Finance Factors, Ltd	HI	5/14/1952	0.40	0.60	0.76	0.90	1.26	0.75	0.70	0.61	0.29	-0.74	-1.53	-0.37	0.51	0.73	0.68	0.71	0.61	0.43	0.72	0.82	0.71
Beal Bank USA	NV	8/2/2004					2.10	6.42	8.05	8.70	6.32	7.04	9.65	10.00	7.22	7.60	7.24	-2.31	1.27	3.97	3.87	1.89	2.15
Celtic Bank	UT	3/1/2001		-3.80	1.52	1.94	0.80	1.09	2.39	2.21	0.84	4.72	1.73	2.15	1.91	2.46	3.75	4.73	4.92	5.22	5.16	4.66	2.72
Community Commerce Bank	CA	10/1/1976	1.78	1.82	2.14	1.88	1.80	1.55	1.22	0.98	0.67	0.00	0.07	0.61	0.81	1.89	1.44	1.44	1.10	0.29	1.18	0.73	0.59
WebBank	UT	5/15/1997	0.13	-13.27	2.41	7.61	-5.06	-12.99	-4.56	4.99	-4.46	-17.40	6.00	6.11	6.18	7.82	8.20	11.94	7.54	5.44	6.17	5.61	2.58
Nelnet Bank	UT	11/2/2020																					-0.03
Square Financial Services, Inc	UT	3/1/2021																					
Commercially owned IB	ST	Established	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Eaglemark Savings Bank	NV	8/25/1997	41.17	7.00	3.63	3.28	11.33	16.98	19.32	18.41	21.10	13.09	10.64	12.15	12.66	12.94	10.58	7.86	9.06	8.73	9.83	8.95	5.28
First Electronic Bank	UT	10/5/2000	-32.54	-43.69	-47.34	-53.94	-43.31	-12.75	8.50	8.14	2.85	-0.51	3.04	7.72	11.54	0.57	1.64	4.09	7.39	7.03	5.67	6.34	3.20
EnerBank USA	UT	6/3/2002			-4.94	-5.14	-1.84	0.33	0.77	0.60	0.49	0.99	2.68	2.29	2.79	2.91	2.39	2.50	2.21	2.04	2.29	2.04	1.99
BMW Bank of North America	UT	11/12/1999	1.20	4.16	4.57	4.37	2.30	1.90	1.06	0.99	1.07	1.75	2.75	2.63	2.08	1.58	1.37	1.46	1.58	1.46	1.88	1.67	0.99
Toyota Financial Savings Bank	NV	8/16/2004					-3.11	-5.50	-4.03	0.47	0.03	-0.98	1.93	2.39	1.94	2.25	2.31	2.97	0.10	0.21	0.27	0.14	0.42
The Pitney Bowes Bank, Inc	UT	1/16/1998	1.33	12.69	14.59	15.35	14.12	13.86	15.81	15.64	14.28	12.33	11.73	11.10	10.54	9.10	9.18	9.66	9.78	8.79	9.18	8.62	8.21

Source: FDIC

Appendix 3. Capital-to-Asset Ratio of Currently Active IBs

Financially owned IB	ST	Established	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Sallie Mae Bank	UT	11/28/2005						98.74	29.13	21.04	27.01	15.68	12.94	14.05	11.10	11.30	10.95	11.41	10.94	10.87	10.93	9.98	8.60
UBS Bank USA	UT	9/15/2003				15.28	10.36	10.89	10.54	8.71	7.00	8.32	9.17	9.48	7.88	8.78	9.35	9.39	8.99	10.02	9.89	10.40	8.29
Optum Bank, Inc	UT	7/21/2003				94.41	87.06	15.40	9.33	10.30	7.00	11.66	12.53	12.66	13.06	9.62	10.35	9.23	11.77	12.24	12.05	14.66	14.96
Hatch Bank	CA	1/2/1982	17.92	19.24	16.96	18.72	25.76	28.08	29.33	31.98	31.73	53.32	48.42	76.37	94.12	95.60	96.16	41.22	43.91	36.88	41.65	39.45	15.47
USAA Savings Bank	NV	9/27/1996	9.31	9.77	11.24	32.39	28.08	31.55	40.96	38.47	36.75	25.46	20.82	23.00	25.14	46.40	13.31	8.57	11.06	13.96	17.02	16.89	19.50
LCA Bank Corporation	UT	1/26/2006							25.95	17.82	16.38	14.14	12.17	16.86	17.00	16.36	12.83	11.61	11.63	12.05	14.11	15.72	12.58
Medallion Bank	UT	12/22/2003				94.87	15.12	15.11	15.14	15.15	14.64	19.10	16.69	17.29	16.25	15.69	15.50	15.01	15.04	15.18	16.31	19.15	16.87
Comenity Capital Bank	UT	12/1/2003				94.65	94.37	24.03	30.93	37.03	23.87	16.83	13.64	14.40	15.77	12.90	13.06	12.78	13.03	12.75	12.83	12.78	11.56
WEX Bank	UT	6/1/1998	10.99	20.60	20.90	20.61	13.40	12.88	11.84	13.33	12.19	12.79	12.94	13.69	12.99	12.45	13.15	12.94	11.65	11.38	11.15	11.52	13.63
The Morris Plan Company of Terre Haute, Inc.	IN	7/27/1962	9.69	10.37	10.53	10.17	10.20	9.96	11.67	13.40	13.79	14.13	16.01	18.65	21.71	26.17	25.87	27.98	27.67	29.10	31.40	26.62	23.77
Minnesota First Credit and Savings	MN	1/1/1956	10.33	9.95	9.23	9.13	9.49	10.38	10.38	10.89	11.10	10.78	11.44	11.82	11.48	12.42	13.26	14.15	14.58	14.45	15.50	15.65	16.53
Balboa Thrift and Loan Association	CA	12/11/1980	8.43	9.17	8.83	9.54	10.12	10.06	9.61	9.23	8.79	9.75	10.76	12.79	14.26	15.85	16.65	16.72	15.60	14.48	13.01	12.67	13.62
Merrick Bank	UT	9/22/1997	16.76	19.39	16.63	20.35	19.04	18.63	17.72	17.74	17.24	18.59	23.10	23.19	22.43	23.22	21.10	21.23	20.63	17.99	19.54	21.95	24.25
Finance Factors, Ltd	HI	5/14/1952	10.50	10.39	10.98	10.31	8.98	8.09	9.15	9.54	9.33	9.83	9.32	10.73	11.94	12.42	13.14	12.26	10.67	11.13	11.14	11.71	12.25
Beal Bank USA	NV	8/2/2004					46.83	61.09	78.36	91.70	52.95	35.24	34.54	34.20	33.72	30.76	38.69	34.91	30.27	40.09	42.18	40.98	32.95
Celtic Bank	UT	3/1/2001		21.83	10.32	10.43	10.63	11.90	10.44	9.73	9.19	11.41	12.48	13.91	13.70	14.32	14.32	15.11	16.92	17.63	18.52	19.87	6.43
Community Commerce Bank	CA	10/1/1976	9.94	11.45	11.69	11.66	10.89	9.93	9.10	9.54	8.08	8.95	10.43	12.68	16.10	20.48	24.91	28.02	27.60	24.34	20.28	19.09	16.05
WebBank	UT	5/15/1997	38.08	40.17	28.21	36.09	39.78	70.84	46.46	36.38	24.61	18.19	22.69	20.23	20.74	18.76	18.67	19.70	19.10	16.94	16.41	18.27	7.90
Nelnet Bank	UT	11/2/2020																					46.92
Square Financial Services, Inc	UT	3/1/2021																					
Commercially owned IB	ST	Established	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Eaglemark Savings Bank	NV	8/25/1997	91.41	81.47	19.15	18.67	30.34	21.01	21.35	28.74	25.96	42.67	32.47	27.53	22.85	23.66	24.05	25.68	31.85	35.51	24.47	20.24	10.90
First Electronic Bank	UT	10/5/2000	88.80	73.40	82.27	39.10	32.13	26.53	29.18	32.76	34.97	35.39	80.80	77.19	83.37	74.46	82.98	56.04	46.81	48.24	33.66	29.51	39.33
EnerBank USA	UT	6/3/2002			61.40	37.86	16.29	12.68	10.75	10.18	9.76	8.66	9.62	9.72	10.99	11.28	10.43	10.60	11.73	13.05	11.33	10.25	9.09
BMW Bank of North America	UT	11/12/1999	15.66	10.04	9.04	10.48	9.06	9.34	8.40	8.53	7.85	9.05	9.48	11.08	11.05	10.92	12.35	13.81	16.45	16.34	16.53	15.96	14.24
Toyota Financial Savings Bank	NV	8/16/2004				94.03	81.92	25.09	11.18	10.79	6.80	15.22	17.49	18.39	17.41	17.55	17.99	18.66	18.35	16.85	16.47	9.87	
The Pitney Bowes Bank, Inc	UT	1/16/1998	13.67	17.46	11.73	8.48	7.80	7.35	7.77	8.24	8.58	7.79	7.16	7.43	7.73	5.79	11.93	10.13	10.16	9.78	9.55	10.37	9.53

Source: FDIC



DAVID ECCLES SCHOOL OF BUSINESS

est. 1917