

July 14, 2021

Dear Members of Congress:

We, the undersigned companies, are writing to ask you to oppose any action that would eliminate or unduly weaken a historically strong, safe avenue for innovation and growth in the financial services industry: industrial loan corporations (ILC), also described as industrial banks.

Our organizations have made the strategic decision to charter or acquire these financial institutions in order to make a broader range of financial services more readily available to our customers, often in cases where access to those services had been difficult or impossible. Industrial banks do not compete with traditional community banks for deposits or for loans; our affiliates are specialized, branchless lenders chartered to meet our customers' needs.

Today, 25 ILCs with \$190 billion in total assets are supervised by the FDIC and by regulators in California, Nevada, and Utah. They are exceptionally well capitalized. Our regulators have the authority to conduct examinations of our financial institutions, their parent companies, and any of our affiliates. Industrial banks are subject to statutory restrictions on transactions with their affiliates and the parent companies, under Sections 23A and 23B of the Federal Reserve Act. They may not extend significant loans to their parents or affiliates, nor offer them credit on preferential terms.

Through the two major financial crises over the last 35 years, Industrial Banks have proven strong and resilient. Only two ILCs have failed, both owned by financial institutions suffering the effects of the crisis.

Some have proposed limiting or eliminating industrial banks, but these bills would be changes for change's sake, not to address any policy or risk concerns. The attacks, however, are unwarranted given that the FDIC, and the state regulatory agencies that oversee industrial banks, have frequently affirmed they have no policy concerns around these institutions. As you pursue objectives to make more banking services available to more consumers, and to increase competition, limiting the ability for industrial banks to meet the needs of their customers would be contrary to that aim.

We would be happy to provide additional information about our operations, and answer any questions you may have about our robust industrial banks. Thank you for your thoughtful work on improving financial services for all Americans.

PARENT COMPANIES



INDUSTRIAL BANKS

