United States Senate

WASHINGTON, DC 20510

September 15, 2022

The Honorable Martin Gruenberg
Director and Acting Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, D.C. 20429

Dear Acting Chairman Gruenberg:

We write today to express support for the industrial loan company (ILC) charter and respectfully remind you to ensure the Federal Deposit Insurance Corporation (FDIC) continues to follow the laws that Congress carefully designed for the FDIC to consider new deposit insurance applicants, including ILCs. Unfortunately, some seek to pause or even close the charter. We strongly oppose regulatory actions, both formal and informal, that might target the ILC charter in a manner not consistent with the laws Congress has passed.

There are 25 ILCs, chartered across 6 different states, holding more than $183 billion in assets.[1] As you know, the FDIC is the primary regulator of ILCs because ILCs are state-chartered, non-Federal Reserve member banks. As such, ILCs are subject to all requirements and regulatory oversight as any other FDIC-regulated bank, including consumer protection and supervision of a parent company. As your prior testimony to Congress noted, "the FDIC does have authority under Section 10(b)(4) of the FDI Act, in examining any insured depository institution, including an ILC, to examine the affairs of any affiliate, including the parent holding company, as may be necessary to disclose fully the relationship between the institution and the affiliate, and to determine the effect of such relationship on the depository institution."[2]

As a testament to the work of the FDIC, the safety and soundness of the ILC charter has been broadly successful when historically compared to the rest of the banking industry. A July 2021 report found that ILCs "have higher equity capital-to-asset ratios and better financial performance measures (i.e., ROAs, ROEs, and efficiency ratios) than the non-[ILC], FDIC-insured institutions."[3] Similarly, your testimony to Congress in 2016 noted that "although the financial crisis was severe, the supervisory approach of the FDIC and chartering states proved to be effective [for ILCs]. No ILCs failed during the recent financial crisis because of the failure of a parent, preventing significant additional losses to the Deposit Insurance Fund."[4]

The ILC charter allows new and expanded credit opportunities in the regulated banking sector. Some ILCs perform niche lending in arenas oftentimes ignored by the larger financial

---

[1] James R. Barth, and Yanfei Sun. *Source of Strength and Consolidated Supervision: A Comparative Assessment of Industrial Banks and Commercial Banks*. July 2021.
[2] Martin J. Gruenberg, Chairman FDIC. Testimony before the Committee on Oversight and Government Reform. July 13th, 2016.
[3] Barth and Sun (n 1)
[4] Gruenberg (n 2)

institutions. ILCs can enhance sector or local economies in ways traditional financial institutions do not.

Lastly, the American economy needs the continuing infusion of *de novo* banks, including ILCs. We support greater competition in the financial services industry, and encourage financial regulators to ensure that new competition is kept under the confines of the regulated banking system, which ultimately protects consumers and our constituents. We ask for the FDIC both for continued supervision of ILCs to ensure safety, soundness and consumer protection, as well as full and fair consideration of any *de novo* applications without an inherent disadvantage for an ILC charter.

Thank you for your attention to this matter.

Sincerely,

United States Senator
Mitt Romney (R-UT)

United States Senator
Catherine Cortez Masto (D-NV)

United States Senator
Marsha Blackburn (R-TN)

United States Senator
Roy Blunt (R-MO)

United States Senator
Senator Bill Hagerty (R-TN)

United States Senator
Michael S. Lee (R-UT)

United States Senator
Jackie Rosen (D-NV)

United States Senator
Gary C. Peters (D-MI)

United States Senator
Kyrsten Sinema (D-AZ)