

United States Senate

WASHINGTON, DC 20510

March 13, 2024

The Honorable Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

The Honorable Jonathan McKernan
Director
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

The Honorable Travis Hill
Vice Chairman
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

The Honorable Michael J. Hsu
Director, Federal Deposit Insurance
Corporation
Acting Comptroller, Office of the
Comptroller of the Currency
550 17th Street NW
Washington, DC 20429

The Honorable Rohit Chopra
Director, Federal Deposit Insurance
Corporation
Director, Consumer Financial Protection
Bureau
550 17th Street NW
Washington, DC 20429

Dear Federal Deposit Insurance Corporation (FDIC) Members:

We write today to reiterate our support for the industrial loan company (ILC) charter and respectfully remind you to ensure the Federal Deposit Insurance Corporation continues to follow the laws that Congress carefully designed for the FDIC to consider new deposit insurance applicants, including ILCs. We strongly oppose regulatory actions, both formal and informal, that might target lawful ILC charter applications and are concerned about the delays in the FDIC's review and final decisions on pending applications.

There are 24 ILCs, chartered across 5 different states, holding more than \$239 billion in assets.¹ As ILCs are state-chartered, non-Federal Reserve member banks, the FDIC plays an important role as the primary regulator. Guided by laws passed by Congress, FDIC supervision of ILCs has resulted in financially safe and sound institutions. A July 2021 report found that compared to other financial institutions, ILCs have historically enjoyed a greater return on assets while maintaining higher capital levels.² In addition to strong financial performance, the industry has successfully weathered financial shocks such as the 2008 Financial Crisis and the COVID-19 Pandemic without an institutional failure leading to losses to the Deposit Insurance Fund.³

¹ FDIC Reports of Condition

² James R. Barth, and Yanfei Sun. *Source of Strength and Consolidated Supervision: A Comparative Assessment of Industrial Banks and Commercial Banks*. July 2021.

³ Martin J. Gruenberg, Chairman FDIC. Testimony before the Committee on Oversight and Government Reform. July 13, 2016.

ILCs provide critical access to credit opportunities within the regulated banking sector, oftentimes serving customers in areas not traditionally serviced by larger financial institutions. In recent months, members of the Board have expressed concerns with increased lending by nonbank financial institutions.⁴ The ILC charter ensures businesses and consumers have sufficient access to credit through institutions subject to robust supervision and oversight.

As the principal federal banking agency responsible for the supervision of state-chartered ILCs, the FDIC should evaluate all ILC applications based on the existing laws and regulations that currently apply to all FDIC-insured banks. Changes to the criteria upon which applications are evaluated should only be made through new laws passed by Congress or published regulations that have undergone a thorough review and comment process. In the event an application does not satisfy the criteria for approval, the agency should provide specific feedback to the applicant that references the relevant statute or regulation. The FDIC also has an obligation to process submitted applications in a timely manner.⁵ Action on a pending application should not be delayed indefinitely without a clear explanation to the applicant of the required steps to allow the review process to proceed.

To be clear, the FDIC should not take any actions that would allow ILCs to evade applicable regulatory requirements or undermine the safety and soundness of the financial system. However, it is critical for the FDIC to avoid needless bureaucratic delays in processing ILC applications that rely upon traditional business models that are subject to the same regulatory requirements as other FDIC-insured banks. We ask the FDIC both for continued supervision of ILCs to ensure safety, soundness and consumer protection, as well as full and fair consideration of any new applications without an inherent disadvantage for an ILC charter.

Sincerely,



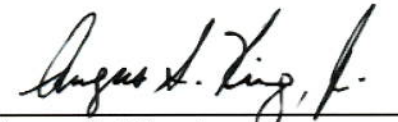
Mitt Romney
United States Senator



Catherine Cortez Masto
United States Senator



Marsha Blackburn
United States Senator




Angus S. King Jr.
United States Senator


⁴ Martin J. Gruenberg, Chairman FDIC. Remarks at the Exchequer Club. September 20, 2023.

⁵ 12 U.S.C. 4807


Susan M. Collins
United States Senator



Gary C. Peters
United States Senator


Bill Hagerty
United States Senator


Jacky Rosen
United States Senator


Michael S. Lee
United States Senator


Kyrsten Sinema
United States Senator


Pete Ricketts
United States Senator


Debbie Stabenow
United States Senator