

The Fact and Fiction of Industrial Banks

The Bank Policy Institute (BPI) recently made erroneous allegations against ILCs and industrial banks without source documentation. The following comparison provides facts and evidence:

CLAIM	FACT	FICTION
SAFETY & SOUNDNESS	<p>Industrial banks are the safest and soundest financial institutions in the country.</p> <p>Sources: FDIC quarterly call reports 2010-2021, A New Look at the Contribution and Performance of Industrial Loan Companies to the US Banking System.</p>	<p>Industrial banks pose a threat to the nation's financial security and to taxpayers.</p> <p>Source: ?</p>
GREAT RECESSION	<p>Only one industrial bank failed that required coverage from the FDIC. 529 commercial banks with Federal Reserve regulated holding companies failed, costing billions to the FDIC.</p> <p>Sources: Source of Strength and Consolidated Supervision: A Comparative Assessment of Industrial Banks and Commercial Banks. A New Look at the Contribution and Performance of Industrial Loan Companies to the US Banking System.</p>	<p>Industrial banks were a major cause to the Great Recession.</p> <p>Source: ?</p>
LEGISLATIVE AUTHORIZATION	<p>Industrial banks were specifically authorized by Congress to access FDIC insurance in 1982 and 1987. Subsequent legislation reaffirmed industrial banks as a regulated option for financial services.</p> <p>Sources: A New Look at the Contribution and Performance of Industrial Loan Companies to the US Banking System, Competitive equality banking act of 1987 (CEBA) 12 USC 1841 (c) (2) (H), The Dodd-Frank Wall Street Reform and Consumer Protection Act 12 U.S. Code CHAPTER 53—section 603.</p>	<p>Industrial banks are an accidental loophole.</p> <p>Source: ?</p>

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REGULATION	<p>FDIC and state regulators have extensive authority to examine and supervise activities of industrial banks. This includes extensive examination privileges of the holding company and non-bank subsidiaries, fining authority, cease and desist orders, and possessing assets of the bank.</p> <p>Sources: See 12 U.S.C. 1811, 1818, 1821, 1831o-1, 1831 p-1. Source of Strength and Consolidated Supervision: A Comparative Assessment of Industrial Banks and Commercial Banks.</p>	<p>A "regulatory blind spot" prevents regulation of industrial bank parent companies and affiliates and must be corrected to even the playing field with traditional banks.</p> <p>Source: ?</p>
DATA SECURITY	<p>Industrial banks recognize the importance of data security and are subject to regulator examinations. Industrial banks support legislation requiring all banks to maintain strict data security or not sell customer data to a third party without customer authorization.</p> <p>Source: Industrial Banks Respond to Recent Seminar.</p>	<p>Industrial banks are a threat to privacy and data security loss.</p> <p>Source ?</p>
INNOVATION	<p>Industrial banks support innovation and allowing a choice for innovators to organize as a commercial bank or as an industrial bank.</p> <p>Source: NAIB, UBA, and NBA Comment Letter to US House Financial Services Committee Subcommittee on Consumer Protection and Financial Institutions.</p>	<p>Innovative financial services offered through industrial banks are dangerous.</p> <p>Source: ?</p>