



Preston L. Kennedy, *Chairman*
Noah W. Wilcox, *Chairman-Elect*
Robert M. Fisher, *Vice Chairman*
Kathryn G. Underwood, *Treasurer*
Alice P. Frazier, *Secretary*
Timothy K. Zimmerman, *Immediate Past Chairman*
Rebeca Romero Rainey, *President and CEO*

December 5, 2019

The Honorable John Kennedy
United States Senate
Washington D.C. 20510

Dear Senator Kennedy:

On behalf of community banks across the country, with more than 52,000 locations, I write to thank you for introducing the Eliminating Corporate Shadow Banking Act of 2019 (S. 2839), which would close the “industrial loan company loophole.” ICBA and community banks strongly support S. 2839.

The industrial loan company (ILC) loophole allows commercial companies to own ILCs, which are the functional equivalent of banks, and effectively mix banking and commerce, contrary to longstanding U.S. economic policy. While no new ILC applications for deposit insurance have been approved since the Dodd-Frank Act moratorium expired in 2013, in recent years nonbank technology companies such as Rakuten, Square, SoFi, and Nelnet have sought ILC charters under Utah law and filed deposit insurance applications. If these applications are approved, we can expect more technology and social media companies to exploit the ILC loophole. This would shift the American financial landscape and give rise to a whole new dimension of risk, a threat not only to our prosperity and economic diversity but to consumer privacy and fraud on a massive scale. Too big to manage would take on a whole new meaning. What’s more, commercial owners of ILCs, unlike bank holding companies, are not subject to consolidated supervision. This constitutes a dangerous gap in financial safety and soundness oversight.

S. 2839 would amend the Bank Holding Company Act to close the ILC loophole prospectively. Commercial companies that already own ILCs would generally be grandfathered and required to register as Covered Industrial Bank Holding Companies.

Thank you for introducing S. 2839. ICBA looks forward to working with you to advance this important legislation.

Sincerely,

/s/

Rebeca Romero Rainey
President & CEO

The Nation’s Voice for Community Banks.®

WASHINGTON, DC
1615 L Street NW
Suite 900
Washington, DC 20036

SAUK CENTRE, MN
518 Lincoln Road
PO Box 267
Sauk Centre, MN 56378

866-843-4222
www.icba.org