September 19, 2025

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Federal Deposit Insurance Corporation
550 17th St NW
Washington, DC 20429
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Attention: Comments RIN 3064-ZA48

Request for Information on Industrial Banks and Industrial Loan Companies and Their Parent Companies

Ladies and Gentlemen:

The National Association of Industrial Bankers (NAIB)[1], the Utah Bankers Association (UBA)[2], and the Nevada Bankers Association (NBA)[3] (collectively, the "Associations") welcome the opportunity to respond to the Request for Information on Industrial Banks and Industrial Loan Companies and Their Parent Companies, RIN 3064-ZA48. We appreciate the Federal Deposit Insurance Corporation's (FDIC) ongoing support in improving the transparency, timing, and consistency of the current application process. We also appreciate the FDIC's desire to address the historic decline in *de novo* bank formations. The formation of new banks helps to preserve the vitality of the community banking sector, fill critical gaps that exist in local banking markets, and provide credit access to consumers who are often overlooked or underserved by

[1]First chartered in 1910, industrial banks operate under a number of titles – industrial banks, industrial loan banks, industrial loan corporations and thrift and loan companies. Industrial banks provide a broad array of products and services to customers and small businesses nationwide, including some of the most underserved segments of the U.S. economy. NAIB members are chartered in Nevada and Utah.
[2]The Utah Bankers Association is the professional and trade association for Utah's commercial banks, savings banks and industrial banks. Established in 1908, the UBA serves, represents and advocates the interests of its members, enhancing their ability to be preeminent providers of financial services.
[3]Nevada Bankers Association is the united voice of Nevada's diverse banking industry: our members are dedicated to providing the best financial products, services and resources to drive and support economic growth, job creation and prosperity throughout the state of Nevada.

other financial institutions. In fact, Acting Chairman Travis Hill said on September 10, 2025, that the FDIC would "continue to explore ideas for encouraging more *de novo* bank activity."[4]

Across the country, industrial banks drive growth—supporting tens of thousands of jobs, generating billions in GDP, and expanding access to credit in ways that complement the traditional banking system while serving small manufacturers, contractors, and lower-income households. At the local level, they create jobs that pay above-average wages, generate needed tax revenue, and have invested more than $1 billion in affordable housing. By pairing FDIC-insured deposits with flexible lending and payment services, industrial banks lower costs and speed access to capital for families and businesses. For manufacturers and industrial firms, industrial banks provide tailored credit and payment services integrated with commercial operations, helping reduce costs and expand financing options for customers. Without industrial banks, America would lose one of its most reliable engines of capital, jobs, and community investment.

As discussed in more detail below, the relationships between industrial banks and their parent companies are currently well regulated by the FDIC's existing framework, 12 CFR Part 354, the banks' chartering states, and the application of existing federal and state banking and consumer protection laws. This existing federal and state governance framework helps ensure the safety and soundness of industrial banks and their parents and protects the Deposit Insurance Fund (DIF) from unreasonable risk.

Part I of this response discusses the critical role that industrial banks have historically played in the financial services industry. Part II provides recommendations for how the statutory factors under the Federal Deposit Insurance Act (FDIA) should be applied to applications involving industrial banks, in recognition that a one-size-fits-all approach is inappropriate. Parts III and IV provide additional recommendations to improve the administrative efficiencies for the application review and approval process as well as the FDIC's ongoing oversight of industrial banks and their parent companies.

We look forward to continuing the dialogue with the FDIC regarding the regulation and supervision of industrial banks and their parent companies.

I. Industrial banks have provided critical banking services to consumers for more than 100 years in a safe and sound manner.

For decades, industrial banks have safely met the needs of their customers and their communities, including those that have limited access to credit, while consistently exceeding

[4] https://www.fdic.gov/news/speeches/2025/statement-fdic-acting-chairman-travis-hill-september-2025-meeting-financial#footnote18

their commercial banking peers in all measures of financial performance. Indeed, during the last four decades only one industrial bank has failed or caused any loss to the FDIC. Additionally, a report issued by the Government Accountability Office (GAO), as required by the Dodd-Frank Act of 2010, found no systemic risk arising from the commercial ownership of industrial banks and notably did not recommend any action by Congress.[5]

The relationship between industrial banks and their parent companies is currently well regulated by the FDIC and chartering states, the application of Part 354, and the application of federal and state consumer protection laws. As discussed in detail below, the current state and federal regulatory framework and oversight ensures the safety and soundness of industrial banks and their parents and protects the DIF from unreasonable risk.

A. Industrial banks have consistently been among the best capitalized and most profitable groups of banks in the nation.

A recently published report of the Utah Center for Financial Services found that for the year end 2024:

- Capital for industrial banks was 10.9%, compared to 10% for all banks,
- Return on assets for industrial banks was 2.14%, compared to 1.11% for all banks, and
- Return on equity was 19.56% for industrial banks, compared to 11.12% for other banks.[6]

These recent results for industrial banks are consistent with those found in earlier reviews for industrial bank performance. In a new study published this month, Nathan Seegert, Hanjun Kim and Chenhui Ling found that industrial bank's "distinct ownership structure and business models have not translated into greater fragility. Instead, industrial banks typically operate with higher capital buffers and stronger profitability than other FDIC-insured institutions, and they weather systemic stress comparatively well. Parent companies act as sources of strength."[7] James Barth and Yanfei Sun of Auburn University published an extensive review of the history of industrial banks and their financial performance compared to other commercial banks.[8] The study found that since 2000 industrial banks had consistently higher capital ratios, return on equity and return on assets than other commercial banks. We agree with the conclusion of Barth and Sun's 2021 update that "[t]here is, therefore, no support for the argument that [industrial bank] holding companies should be subjected, like bank holding companies, to consolidated supervision by the Federal Reserve." Since January 2021 and through December 2024,

[5]In the Dodd-Frank Act of 2010, Congress also imposed a 3-year moratorium on the approval of new industrial bank charters owned by nonfinancial companies.
[6]https://stena.utah.edu/industrial-bank-report-year-end-2024/
[7]https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5499798

[8]https://stena.utah.edu/wordpress/wp-content/uploads/2023/07/ILC_REPORT_BARTH_2018.pdf.

industrial banks consistently provided superior results in the key measures of safety and soundness in banking including capital, asset quality, and profitability.[9]

B. The structure of the markets and existing regulatory framework prevent industrial banks, including those owned by nonfinancial companies, from contributing to anti-competitive market concentrations or widespread conflicts of interest.

Critics oppose industrial banks because of the exemption Congress expressly added to the Bank Holding Company Act (BHCA) in 1987, allowing industrial banks to affiliate with a diversified group of businesses. The critics say allowing this “mixing of banking and commerce” conflicts with a long-standing national policy intended to avoid concentrations and will result in widespread conflicts of interest. Despite these fears, the development of industrial banks over the past forty years has not resulted in concentrations or compromised safety. The structure of the markets themselves and other federal laws prevent this.

1. Industrial banks have added to diversification and decentralization, not undermined it.

Diversification and decentralization of the banking system remains a foundational public policy of the US. It ensures that financial services are available to the maximum extent in every part of the nation, which facilitates economic development everywhere. The BHCA was initially enacted to preserve the decentralized structure of the banking system in the US. Since its enactment, and despite the exemption for industrial bank affiliates, new technologies, including those facilitating branchless banking, have created more diversification and decentralization of the banking system than existed when community banks operating in single states were the only kind of bank permitted by state and federal laws. The only real trend toward market concentration today involves the largest national banks.

There are many impediments—including the market conditions and existing regulatory framework—preventing a parent company of an industrial bank from achieving a dominant position in the banking industry than it might otherwise experience in other markets.

2. Conflicts of interest are effectively prohibited by existing laws and regulations covering affiliate transactions and relationships.

Existing laws and regulations ensure the interests of the bank’s depositors, customers, other creditors and the communities the bank serves have priority over those of affiliates. The laws and regulations include Section 18(j) of the FDI Act, 12 USC 1828(j), “Restrictions on Transactions With Affiliates and Insiders,” which makes the restrictions on affiliate transactions

[9] https://stena.utah.edu/tag/utah-center-for-financial-services/.

in sections 23A and 23B of the Federal Reserve Act, 12 USC 371c and 371c-1, together with its implementing Regulation W, and provisions of section 22 Subsections (g) and (h) of the Federal Reserve Act, 12 USC 375a and 375b, governing "Extensions of Credit to Officers, Directors, and Principal Shareholders," along with its implementing Regulation O, applicable to all FDIC insured banks.

The Anti-Tying Act also applies to all industrial banks. It prohibits an industrial bank from offering discounts on bank products and services if the customer obtains another product or service from an affiliate. In the past forty years, no industrial bank has failed or suffered significant losses due to an affiliate transaction or other action taken primarily for the benefit of an affiliate. Indeed, all transactions primarily intended to benefit an affiliate are prohibited even if they pose no specific risk to the bank. Similarly, the requirements for the industrial bank to have independent board of directors, management and financials, as well as the additional mechanisms afforded by Part 354 (discussed in more detail below), prevent the industrial bank from becoming a "captive" of the parent company.

This highlights what is misleading about characterizing industrial banking as "mixing banking and commerce." In contrast to banks with a bank holding company parent that typically share the same boards and management, industrial banks are independent organizations within the corporate group with their own board of directors and management that are accountable to regulators who can assess substantial penalties on the industrial bank and individual officers or directors for any violation of law or regulation or other actions detrimental to the interests of the bank. Part 354 requires industrial bank boards to have a majority of outside directors. In addition, Section 24 of the FDI Act, 12 USC 1831a(a) generally prohibits any FDIC insured bank, including all industrial banks, from "engag[ing] as principal in any kind of activity that is not authorized for a national bank . . ."

3. The FDIC's current regulations governing parent companies of industrial banks enable the FDIC, by contract, to exercise oversight of parent companies that would not otherwise be subject to consolidated supervision under the BHC Act.

In 2021, the FDIC adopted the current version of Part 354 to formalize the regulatory oversight of industrial bank parent companies. The amendments to Part 354 primarily codified practices that had generally applied to industrial bank parent companies for several years and were adopted with industry support. Part 354 requires parent companies of industrial banks to enter into an extensive written supervisory agreement with the FDIC and the subsidiary industrial bank. The FDIC can tailor the requirements of the parent company to address any concerns with risk to the DIF or the ability of the parent company to support the industrial bank's capital and liquidity. Part 354 also currently requires parent companies to provide the FDIC with an approved contingency plan that outlines processes to weather financial or operational stress that would threaten the safety and soundness of the industrial bank. The plans must include one or more strategies for the orderly disposition of the bank without the need for a receiver or conservator.

Part 354 also prohibits a new industrial bank for the first three years after becoming a subsidiary of the parent company from making a material change to its business plan; adding or replacing a member of its board; adding or replacing a senior executive; employing a senior executive officer who in the past three years was in any manner associated with an affiliate of the industrial bank; or entering into any contract for services with the parent company that is material to the operations of the industrial bank without the approval of the FDIC. This structure has been highly effective.

Additionally, by including certain conditions in an approval order for deposit insurance or charter application, the FDIC and state chartering authority can tailor operational limitations on the industrial bank based on the nature and scale of the parent company's financial and non-financial operations.

C. The superior performance of industrial banks relative to other banks is due in part to the support a diversified parent can provide that very few bank holding companies (BHCs) governed by the BHCA can give to their banks.

Diversification is the key to serving as a source of strength required of all bank parents. Many industrial banks are part of a corporate group with substantial assets apart from the bank that can provide additional capital when needed to restore healthy capital levels or to expand when new opportunities arise. Industrial banks have rarely needed this kind of support, but it has happened a few times in the past. In one case a bankrupt parent provided a capital contribution of several million dollars to an industrial bank subsidiary that had to temporarily write down good performing assets due to mark-to-market accounting rules during the Great Recession.

In contrast, most BHCs are shells with no assets apart from the bank. They have little or no ability to raise new capital or otherwise support a failing bank subsidiary. This weakness became apparent in periods of economic stress such as the Great Recession.

With one exception, industrial banks remained well capitalized and profitable during the Great Recession. Some grew during that period. Several industrial banks closed or were merged into other banks or converted to commercial banks between 2007 and 2015, but only one of those industrial banks was insolvent and required FDIC assistance. This compares to 529 commercial and community banks that closed due to insolvency, costing the FDIC billions in losses. The following examples illustrate how solvent banks are resolved in times of crisis.

- Lehman Brothers Commercial Bank—This industrial bank, a subsidiary of Lehman Brothers, closed and self-liquidated after the parent filed for bankruptcy. Its loans were of good quality and repaid by the borrowers. That enabled the bank to pay its deposits in full and all other debts and then pay a large liquidating dividend to the Lehman bankruptcy trustee to help repay the parent's creditors.
- GMAC related industrial banks—GMAC had two bank subsidiaries at the beginning of the Great Recession. One of the industrial banks was a subsidiary of a mortgage company subsidiary of GMAC eventually named Capmark Corporation. Capmark became bankrupt due to the housing crisis. The industrial bank, named Capmark Bank, subsequently closed and self-liquidated with no loss to the FDIC in 2013. The other industrial bank, named GMAC Automotive Bank, was a direct subsidiary of GMAC. The bank spun off from GMAC as an independent bank, converted to a national bank and operates today as Ally Bank.
- GE Capital subsidiary banks—GE Capital owned two subsidiary banks. One was an industrial bank that made commercial loans primarily to restaurant franchisees, the other was a federal savings bank that partnered with merchants to provide in-store financing. Both were well capitalized and profitable. GE decided to substantially downsize its finance division, GE Capital. The FSB was spun off and now operates as Synchrony Bank. The industrial bank closed after selling its loans to a third party and paying its deposits in full.
- Flying J subsidiary industrial bank—Flying J was a family-owned nationwide chain of truck stops with an industrial bank subsidiary providing financial services such as factoring bills of lading and leasing trailers to truckers. Flying J reorganized under Chapter 13 of the bankruptcy code, eventually selling its truck stops to a competitor. During that time, the industrial bank, named Transportation Alliance Bank and later changed to TAB Bank, was well capitalized and profitable and continued operating normally. After the sale of the truck stops, the bank became wholly owned by the family that owned Flying J and was converted to a commercial bank. It continues to operate successfully today.
- Morgan Stanley Bank—In the midst of the Great Recession, Morgan Stanley converted its well-capitalized and profitable industrial bank into a national bank, which simultaneously converted the parent into a bank holding company with access to the Federal Reserve's discount window. Morgan Stanley National Bank continues operating today.
- Goldman Sachs Bank—Goldman Sachs converted its well capitalized and profitable industrial bank into a New York state chartered commercial bank, again to convert the parent into a BHC.

- Merril Lynch Bank—Merrill Lynch merged its well capitalized and profitable industrial bank into Bank of America when the parent was acquired by Bank of America corporation.
- Advanta Bank—Advanta Bank was the only industrial bank to become insolvent during the Great Recession. It and its parent company, Advanta Corp, specialized in lending to small businesses. Those borrowers were especially impacted by the recession, which caused significant loan losses. Unlike the banks discussed above, its parent company effectively had no other revenue sources to provide support to the bank.

Industrial banks derive substantial benefits from ownership by parent companies that also engage in financial services.

Historically, many industrial banks have been successfully owned and operated by financial parent companies. Financial companies have extensive expertise and experience in effectively managing a business in a regulated and highly competitive environment. Like banks, financial companies must comply with both federal and state laws and are supervised by a range of regulatory authorities, including state regulatory agencies, the Federal Trade Commission, the Securities and Exchange Commission, and the Consumer Financial Protection Bureau. As such, financial companies have developed institutional competence in corporate governance and risk management that will allow them to operate industrial banks in a safe and sound manner.

Because a financial parent company and its industrial bank subsidiary are both engaged in financial services, their affiliation is mutually beneficial. For example, a financial parent company can provide access to already established product lines and customer bases to its industrial bank subsidiary. Similarly, industrial banks within the limits of Regulation W and Sections 23A and 23B of the Federal Reserve Act, can provide services to their parent financial companies. Engaging in these services through an affiliated industrial bank, instead of through a third-party bank, reduces costs to both the financial parent company and its customers.

D. The success of many industrial banks can also be attributed to the banks' access to an established thriving market and customer base at inception.

Many industrial banks are profitable immediately and benefit from marketing programs on a scale unimaginable for a bank that must build its business by itself from scratch. A new community bank usually starts with no customers and must speculate about its ability to build a place in the market and attract sufficient business to achieve real profitability before the end of the third year while maintaining healthy capital ratios.

Industrial banks that take over existing financial services operations from the parent or affiliate face less uncertainty regarding their business plan success and can provide for a better customer experience by having all services under one umbrella. Not only would they have a ready-made customer base and a history with those customers that will eliminate much of the uncertainty about the scale and quality of that business, it would allow for the transition of an existing business into a bank that can serve those customers more efficiently.

II. The FDIC's evaluation of applicable statutory factors should consider the unique nature and structure of industrial banks, including their parent companies.

Generally, industrial banks should be regulated and supervised in the same manner as any other insured depository institution.

This section discusses how the FDIC should evaluate the statutory factors—in particular capital adequacy, the risk to the DIF, and the needs of the community—in light of the proposed business model for the industrial bank as well as the size, complexity and nature of the parent. Part II.A first provides some general recommendations regarding the scope and nature of information that parent companies—particularly those with international operations—should be required to provide. Section II.B then provides recommendations for assessing the industrial bank's capital adequacy. Part II.C provides recommendations for evaluating the industrial bank's risk to the DIF. Finally, Part II.D provides recommendations for evaluating how the industrial bank would meet the convenience and needs of its community.

A. The FDIC should tailor the scope of information it requires from parent companies and their affiliates to that reasonably needed to assess the statutory factors.

The presence of a non-federally regulated parent company necessitates the FDIC and the state chartering authority to look to the operation and stability of the parent company and the relationship and potential impact, positively and negatively, to the operations and safety and soundness of the industrial bank. As discussed in Section I.B.3, Part 354 enables the FDIC to address any such concerns and assure that the industrial bank is supported by the parent company and insulated from disruptions at the parent company.

1. The FDIC should reconsider requiring parent companies to list all affiliates regardless of whether some may never have any dealings or other connections to the bank other than common indirect ownership.

The Associations understand that the FDIC needs to access information at the parent to evaluate the parent company and its proposed relationship with the industrial bank. It is this relationship that should be the focus of the FDIC's oversight. However, large parent companies—particularly those operating internationally—report having thousands of subsidiaries and connections with other entities that might amount to technical or operational control, and parent companies are asked to provide information on them all.

We recommend requiring an applicant to provide an organizational chart prepared for shareholders together with a list of all affiliates that may have direct or indirect control over the bank and with which the bank may transact, and to update that list before transacting with any affiliate not previously included on the list.

2. The FDIC should be able to obtain the same information about a foreign parent and its affiliates as one based in the U.S. and to apply the same tests regarding compliance with Part 354.

In some cases, financial statements for a foreign entity may be prepared under different rules. The FDIC should be satisfied that the financial information it receives adequately describes the parent's financial strength and resources and its ability to support the bank. However, blanket requirements are impractical or unjustified.

B. In considering the *adequacy of an industrial bank's capital structure*, the FDIC should also consider the nature of the parent or affiliate's business, the historical strength and financial performance of the parent or affiliate, and the location of the parent and affiliate(s).

The capital of the industrial bank needs to be sufficient to execute the business plan and to operate without additional support from the parent company. In addition, the parent company should be able to provide additional capital and liquidity if that becomes necessary. Regardless of the nature of a parent company's business, consideration should be given to a variety of factors, many of which are interrelated:

1. Financial capacity and funding sources.

The FDIC should consider the parent company's funding sources and degree of leverage in determining the ability of the parent to serve as a source of strength for the industrial bank. For example, a parent company's ability to access the public capital markets should weigh favorably on its ability to serve as a source of strength for the industrial bank. The ability of most industrial bank parents to serve as a real source of strength for the bank is one of their unique advantages. We believe the FDIC and states have a strong process for evaluating the unique strengths of each proposed parent company and to ensure the enforceability of the commitments in the contracts and other non-standard conditions for approval.

2. The historical profitability of the parent company and its operations.

A parent company's demonstrated ability to successfully and profitably operate their core business and other affiliates over an extended period of time should serve as an indication of their ability to successfully operate and serve as a source-of-strength to an industrial bank. This should carry particular weight in the context of affiliates operating in heavily regulated industries subject to federal oversight.

3. The industry of the parent company.

That a parent company is a non-financial company should not disqualify it from owning an industrial bank subsidiary. For example, broad categories of non-financial companies, including retailers, manufacturers, and technology companies have successfully operated industrial banks. However, the FDIC should consider whether the parent company's industry is particularly volatile, such that it would present a risk to the parent company's ability to serve as a source-of-strength to its industrial bank subsidiary.

4. Whether the parent company has demonstrated the ability to manage a business in a highly regulated environment, build strong risk management systems, and comply with consumer protection laws.

The experience of a parent company in operating a non-depository financial business—particularly those businesses subject to comprehensive state or federal regulation and oversight—should be considered positively in evaluation. Particular consideration should be given to whether the parent company or affiliates are subject to similar laws and/or regulations regarding anti-money laundering, data privacy, and/or consumer protection.

5. The ability of the FDIC to enforce a CALMA.

The circumstances of applicants vary too widely to justify a blanket requirement to pre-position assets in the US to support an industrial bank subsidiary. For example, the current industrial banks owned by foreign auto makers are subsidiaries of large US based manufacturing, marketing and finance subsidiaries of that ultimate parent. Similarly, an industrial bank subsidiary of a large foreign bank is directly under a US based subsidiary BHC regulated by the Federal Reserve. In these cases, a better approach is for the US based affiliates to sign a Capital, Assets, Liquidity and Management Agreement (CALMA) along with the ultimate parent. If an applicant would have no US based affiliates, the FDIC should evaluate its ability to enforce a CALMA against a foreign owner. If issues arise in that regard, the FDIC might require a surety bond, letter of credit issued by a US bank or the type of deposit in the bank the FDIC has required in other applications.

B. In considering the risk that an industrial bank applicant presents to the DIF, the FDIC should focus on whether the bank's business plan has set forth a reasoned contingency plan providing for either the continued operation or orderly wind-down and liquidation of the industrial bank in the event of significant impairment or disruption of the parent company and/or material affiliates' business.

The FDIC currently requires applicants to run scenarios dealing with various levels of financial stress at the industrial bank and parent company level. The Associations are supportive of a requirement for all industrial bank applicants' business plans to include a contingency plan if the parent company becomes significantly impaired or faces a significant disruption in its core business, regardless of the nature of the parent company's core business. These contingency plans should include sufficient support for either the continued operation or orderly wind-down and liquidation of the industrial bank, as appropriate depending on the nature of the industrial bank's business model.

The FDIC should consider the appropriateness of an industrial bank's contingency plan in light of the industrial bank's business model and the extent to which the industrial bank is reliant on its parent and/or affiliate(s) for material activities.

1. Orderly wind-down and liquidation

Industrial banks with business models involving significant or material reliance on their parent company or affiliates, such as for the generation of deposit funding or the acquisition of lending assets, may be better suited for an orderly wind-down and liquidation on the assumption that the parent or affiliate is no longer able to generate business for the bank. In these situations, the FDIC should consider the scope and complexity of the industrial bank's product suite, with particular attention to any mismatches in terms.

2. Continued operation of the industrial bank

Where a contingency plan provides for the continued operation of the industrial bank, the FDIC should consider the bank's ability to continue to generate business, conduct operations, and meet capital requirements, on the assumption that the parent and/or affiliate is no longer able to provide support.

Additionally, even where a business plan involves substantial reliance on a parent or affiliate, depending on the nature of the parent company's and/or affiliate's business, it may nonetheless be feasible for such an industrial bank to continue its operations. In this regard, consideration should be given to whether the troubled parent and/or affiliate is subject to a specialized resolution framework, as this may increase the likelihood that a sale of the parent or affiliate would preserve business opportunities for the industrial bank.

C. In considering the convenience and needs of an industrial bank's community, the FDIC should consider the industrial bank's target geographic market as described in its business plan, rather than limiting itself to the areas surrounding its physical locations.

Due to the rising structure of branchless industrial banks, the definition of community should be expanded to include the customers the industrial bank serves as well as the geographic area where it is based or any existing branch or location network. This will allow industrial banks applying for a *de novo* charter to appropriately describe their customer base for the FDIC's consideration. As with any application, the FDIC should closely evaluate the applicant's description of why it believes it will be able to attract enough bankable customers to sustain its operations.

As noted above, industrial banks that take over existing financial services operations from the parent or affiliate can provide for a better customer experience by having all services under one umbrella and by enjoying efficiencies afforded by an FDIC-insured bank charter. For example, a business providing consumer finance nationally must contend with fifty complicated and non-uniform state laws governing credit if it is not a bank, whereas FDIC-insured banks, including industrial banks, are typically exempt from such requirements, thus avoiding these costs, complexities and inefficiencies, which in turn can be passed down to the consumer.

The FDIC should also give positive consideration to the parent financial companies with a proven track record of providing access to capital or other financial services to underserved markets more broadly and not necessarily limited to geographical areas surrounding the physical premises of the contemplated bank, which aligns with one of the original purposes of industrial banks.

Industrial banks, particularly those owned by non-financial companies, address the needs of an underserved segment of the market by traditional banks. Non-financial companies bring needed innovation to the banking industry and do so under the supervision of the FDIC and with the protection of deposit insurance. Indeed, the purpose of most industrial banks, including those owned by non-financial companies, is explicitly to provide a convenience to the enterprise's customer base. For example, one of the early industrial banks provided basic banking services to independent long-haul truckers at the parent's nationwide truck stops. Previously, those customers were unable to access those services until they had completed their trip and returned home. Another industrial bank finances postage and shipping costs for small businesses using equipment made by the bank's parent.

II. The FDIC should improve administrative expediency for the application review process by establishing target timeframes for responding to changes in applications and decisioning applications and delegating authority back to Regional Offices.

A. The FDIC should establish more transparent timeframes for decisioning deposit insurance applications for industrial banks and move in a timely manner on pending applications.

Industrial bank applications for deposit insurance are subject to the same statutory factors that apply to any other applicants for deposit insurance. We acknowledge and appreciate that, given the unique characteristics and added complexities associated with industrial banks, the review of an application for deposit insurance for an industrial bank is likely to exceed the standard 120-day review period that the FDIC targets. However, to improve administrative expediency, the FDIC should provide greater transparency regarding the likely intervals of communication, as is set out in the FDIC's publication, *Applying for Deposit Insurance, A Handbook for Organizers of De Novo Institutions*[10] (DI Handbook) which applies to banks, as defined under the BHCA, and community banks.

The current deposit insurance application process for industrial banks is a collaboration between the applicant, its parent company, the FDIC, and the state chartering authority. This process works well to inform the applicant of the requirements for chartering by the state and for deposit insurance by the FDIC. It permits the applicant to address concerns and improve the application prior to formally filing an application. Therefore, as part of improving transparency with respect to timeframes for decisioning deposit insurance applications, we recommend the FDIC establish target timeframes for response times to the applicant's changes to its application to reflect concerns raised by the FDIC and state chartering authority to improve the application process.

There are currently 24 industrial banks with approximately $250 billion in assets. These industrial banks provide needed financial services to the customers and communities they serve. Since 2008, however, only three applications for deposit insurance for industrial banks have been approved by the FDIC.[11] More applications were filed during this period; however, all were withdrawn after pending for years—several times over the standard timeline for commercial bank applications. Currently there are six pending applications, and several others are considering applying.

Given the increased desire to pursue industrial banks, we believe the FDIC should consider ways to improve administrative expediency and transparency because extended delay in

[10] https://www.fdic.gov/regulations/applications/depositinsurance/handbook.pdf
[11] Nelnet Bank was approved in March 2020, as was Square Financial Services Bank. In June 2024, the FDIC Board approved the application of Thrivent Bank.

the disposition of an application is expensive for the applicant and requires the use of large amounts of capital that could otherwise be used to ensure the success of the new industrial bank. More importantly, it harms consumers that would benefit from the new financial services the industrial bank has identified as an unmet need in the community, as discussed in Section II.D above.

Doing so would be consistent with the administration's support of innovation and new *de novo* charters, as expressed by Acting Chairman Hill and mentioned earlier in this letter.

B. The FDIC should restore the delegation of authority to the Regional FDIC Offices to review and decide industrial bank applications.

We also urge the FDIC to restore the delegation of authority for decisions regarding industrial banks to the regional FDIC offices so as to align with other FDIC-supervised insured depository institutions. This would speed response times and align the treatment of industrial banks with other insured depository institutions for both existing industrial banks and applicants.

In light of the existing effective regulatory and supervisory framework for the FDIC's enhanced oversight of industrial banks and their parent companies, as discussed throughout Section I, as well as other manuals, guidelines, and precedents, regional FDIC offices will be well equipped with the necessary tools to evaluate an industrial bank's application for deposit insurance.

Furthermore, delegating the review, approval, or disapproval of applications would depoliticize the process of forming industrial banks and be consistent with Acting Chairman Hill's goal in promoting *de novo* bank activity, as mentioned throughout this letter.

III. The FDIC should provide more flexibility to industrial banks' and their parent companies' capital requirements once the bank has demonstrated its ability to safely and soundly engage in business during its de novo period.

As discussed throughout this comment letter, the risk profile of an industrial bank is no higher than, and indeed given the benefits of a strong parent, is often less than that of other insured depository institutions. Like other depository institutions, we thus agree that a somewhat higher capital ratio requirement during the initial operating period of an industrial bank may be warranted. However, like other depository institutions, we see no principled reason why industrial banks and their parents should be treated more harshly than other insured banks, either during the initial period or thereafter, from a capital (or any other) perspective.

In this regard, industrial banks are subject to the same regulatory capital regulations as other depository institutions, and industrial bank parents are subject to statutory "financial source of strength" requirements to the same degree as other depository institution parents. As a practical matter, this means, among other things, that the capital requirements for industrial banks also should be aligned with other insured banks with similar risk profiles after the three year initial period, and the parents of industrial banks only should be required to enter into CALMAs if they are required for parents of other insured banks—and, if required, should impose equal requirements on all insured banks (whether or not industrial banks).

The foregoing approach will allow industrial banks to grow and innovate in a more competitive manner to meet the needs of consumers and other clients. For example, we understand that the bank regulators currently are considering reducing the capital requirements of the Community Bank Leverage Ratio to reduce the burdens of eligible banks and allow them to more effectively compete against larger institutions. We submit there is no principled reason for eligible industrial banks not to obtain the same benefits of this pro-growth approach of the current Administration.

We understand that historically, some have justified greater burdens for industrial banks as promoting safety and soundness. However, for all the reasons noted above, we submit that the evidence strongly demonstrates that industrial banks pose no greater danger of failing, and in fact present less danger, than other banks. Given that, as Treasury Secretary Bessent noted on September 10, 2025, in his remarks at the Financial Stability Board, unnecessary burdens on financial players (such as industrial banks) hinder their ability to promote the economy, and regulatory agencies "cannot overlook the significant risk that economic stagnation can pose to financial stability."

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We appreciate the consideration of our views. We look forward to continuing the discussion of industrial banks and the important role they play in meeting the needs of their customers and communities and in providing innovation in financial services.

Sincerely,

[redacted]

Howard Headlee
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