September 18, 2025

Jennifer Jones
Deputy Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Re: Request for Information on Industrial Banks and Industrial Loan Companies and Their Parent Companies (RIN 3064-ZA48)

Dear Ms. Jones.

The Online Lenders Alliance (OLA) welcomes this opportunity to respond to the Federal Deposit Insurance Corporation's (FDIC) Request for Information (RFI) on Industrial Banks and Industrial Loan Companies and Their Parent Companies.

OLA represents the growing industry of innovative companies that develop and deploy pioneering financial technology, including proprietary underwriting methods, sophisticated data analytics and non-traditional delivery channels, to offer online consumer loans and related products and services. OLA's members include online lenders, vendors and service providers to lenders (including banks), consumer reporting agencies, payment processors and online marketing firms.

Fintech companies are at the vanguard of innovative online tools that reach new customers, prevent and mitigate fraud, manage credit risk and service loans. Online, technology driven lending provides benefits to consumers, particularly those in underserved communities, with fast, safe, and convenient options that simply are not available through traditional lending markets.

Much of the innovation undertaken by OLA members has given consumers greater control over their financial future. This is especially the case when it comes to access to credit. Whether purchasing a home, starting a business, financing an education, or even paying for an unexpected emergency, the ability to find and secure credit is often a determining factor in a consumer's financial well-being.

As the FDIC evaluates how to approach the regulation of industrial banks and industrial loan companies (ILCs), OLA strongly believes that any changes should provide a flexible policy framework that is data-driven and fact-based, and that encourages collaboration and capacity building. Such an approach will foster an environment that gives consumers the ability to find the products and services that best fit their needs.

OLA would like to provide some additional information for the record regarding the objectives and benefits of ILCs and industrial banks.

Bank-Fintech Relationships

Consumers' use of the Internet and mobile technology for financial services and products has accelerated over the last decade, requiring financial institutions to leverage evolving technologies. Banks, including industrial banks, routinely rely on relationships with third parties to deliver financial services more broadly, more efficiently, and with less risk to consumers and to the banks themselves. Banks that lack technical know-how to market, service, and collect loans electronically can bridge these challenges by working with a financial technology (fintech) company. Many fintech firms have spent years developing innovative technologies and analytics for these specific tasks, which enable banks to deploy their own capital more efficiently. As a result, banks can provide broader access to credit for consumers and small businesses and obtain greater portfolio risk diversification.

Nonbank technology providers offer expertise in an array of services that many smaller entities may not possess, including loan marketing, innovative underwriting, credit risk assessment techniques, online banking, and loan servicing. These relationships enable greater use of the Internet and mobile technology to originate loans, creating opportunities for borrowers outside of the bank's traditional footprint. Borrowers of lesser credit quality, including thin-file or no-file consumers, can benefit from the greater use of non-traditional credit information successfully utilized by fintech firms.

According to a Morning Consult Survey, a large plurality of consumers who had borrowed from a fintech company saw their credit scores increase 12 months after taking out their loan.
In the same survey, lower- and middle-income groups saw the largest net improvements, while Black and Hispanic consumers reported the highest gains in credit scores.

In a comment letter to the FDIC the Center for Financial Services Innovation characterized the improvement to credit scores through bank-fintech collaborations as a "win-win-win" for all involved, including consumers. Banks win because they can originate credit to a broader and deeper segment of the consumer market. Third-party fintech service providers win by demonstrating their effectiveness in helping banks reach new consumers. Consumers win because they "get access to high-quality credit that they otherwise would not." In addition, these relationships can allow "smaller and more rural banks to broaden the set of products and services they can offer to their communities."[1]

[1] CFSI Comment Letter on Proposed Guidance for Third-Party Lending (Oct. 27, 2016), https://cfsinnovation.org/research/cfsi-comment-letter-on-proposed-guidance-for-third-party-lending/.

The FDIC echoed these settlements in proposed examination guidance for third-party lending programs, stating:

> "Third-party lending arrangements may provide institutions with the ability to supplement, enhance, or expedite lending services for their customers. Engaging in third-party lending arrangements may also enable institutions to lower costs of delivering credit products and to achieve strategic or profitability goals."[2]

By working with fintech companies through third-party vendor arrangements, banks can deliver safer, more transparent, lower-cost and more convenient financial products and services to consumers. For this to continue, federal regulators should ensure that banks can continue to work with third-party fintech providers to offer innovative products and services.

ILCs offer a unique pathway for fintech collaboration that will help fuel innovation. OLA commends recent actions by the FDIC, including the withdrawal of a proposed rule that would have negatively affected current ILC institutions, discouraging future applications, creating significant uncertainty for existing industrial banks and impeding their ability to offer critical products and services to consumers. The proposed RFI brings a renewed focus on this important bank model, highlighting the need for modernization. OLA supports efforts by the FDIC to update its rule to preserve the value of ILCs and industrial banks while ensuring safety, soundness, and responsible innovation.

Challenges and Barriers to Bank-Fintech Relationships

Despite their substantial promise, bank-fintech arrangements face significant obstacles. Regulators have at times been overly cautious about innovation and have communicated the rules of engagement inconsistently. This has led to uncertainty that discourages institutions from engaging in new and creative uses of these techniques, ultimately limiting the availability of credit to consumers. The regulatory framework has a sizable influence over innovations that will be critical to the success of fintech. Policymakers need to ensure the rules do not impede innovations that otherwise could meet the financial needs of consumers.

As the FDIC considers how its approach should evolve regarding processing new bank applications, especially for innovative business models like ILCs, OLA reminds it that many of these challenges are exacerbated by an antiquated regulatory patchwork structure that is ill-suited to today's rapidly changing digital landscape.

---

[2] FDIC, Proposed Guidance: Examination Guidance for Third-Party Lending (July 29, 2016), https://www.fdic.gov/news/news/financial/2016/fil16050a.pdf. To date, this proposed guidance has not been finalized.

Standards should recognize today's technological needs by offering flexibility and space to innovate. This will provide companies of all sizes the ability to take a risk-based approach to innovation, tailoring what best works for their own business models, practices and customer needs. This is particularly critical for startup companies, enabling them to devote limited resources to expanding their products and services instead of focusing on burdensome compliance with prescriptive rules unfit for their risk profiles. This also makes it easier for firms to operate securely across various jurisdictions and enter new markets.

As with any new product or service, important questions remain around appropriate uses and oversight. As the FDIC looks to modernize its rules surrounding ILCs, it will be important to monitor this evolution to track adherence to safety and soundness protocols. It is also incumbent upon the industry to provide proper training and monitor the development of new products and services. However, these concerns should not block the smart use of ILCs and their working relationships with fintech's. Striking this balance between innovation and oversight is best achieved through clearly defined expectations and standards without overly prescriptive rules that stifle innovation and technology.

Prudent regulators should do more to monitor and understand the real and potential advances being brought to banks through ILCs' collaboration with technology companies. These arrangements have revolutionized the financial services sector, altering business models, risk mitigation strategies, and systems performance. As this technology continues to evolve, consumers increasingly expect more accessible products and services in real-time, which will change the way both individuals and companies engage in financial activities. That is the ultimate promise of fintech: delivering safer, more transparent, lower cost, and more convenient financial products and services to consumers.

Through these efforts, fintech companies working as third-party vendors for banks can play an important role in building a more inclusive financial system for consumers. OLA encourages the FDIC to continue considering a policy framework that enables innovators to interact with each other using collaborative relationships

Due to their unique nature as state-charted, FDIC-insured institutions, ILCs and industrial banks are uniquely situated to support innovative business models, particularly when working with fintech firms. ILCs and industrial banks have become a strategic tool for fintech firms offering regulatory efficiency, funding stability, product innovation, and expanded consumer access.

FDIC Should Consider Enhancements to Industrial Bank Charters to Better Leverage Fintech's

While ILCs and industrial banks offer unique prospects for fintech collaboration, a modernized regulatory framework could present significant opportunities for fintech companies to better serve consumers and small businesses. Currently many fintech's are limited from participating in the program due to entry barriers, particularly those fintech's not subject to consolidated supervision under the Bank Holding Company Act (BHCA). OLA would urge the FDIC to consider updating the charter to better accommodate fintech applicants while preserving safety and soundness.

In approaching improvements to the program, the FDIC should adopt a more nuanced approach when evaluating ILC applications from non-financial parent companies, including fintech's. As outlined in the RFI, the nature of the parent company, whether retail, industrial, or technology, should inform the risk assessment, but not automatically disqualify applicants. Fintech's often operate lean, tech-driven models that differ from traditional financial institutions, and these differences should be reflected in the FDIC's analysis of capital adequacy, resolvability, and risk to the Deposit Insurance Fund (DIF).

A key component is the need for the FDIC to publish clearer, more transparent criteria for ILC applications, including expectations around business plans, community impact and corporate governance. This would reduce uncertainty and encourage responsible fintech's to pursue ILC charters. Additionally, standardizing the conditions required in written agreements—such as capital and liquidity maintenance commitments—would help level the playing field for smaller, innovative firms.

Fintech's often use technology to lower costs and expand access to financial services. The FDIC should view these benefits favorably when assessing the "convenience and needs of the community" factor. For example, if a fintech proposes using an ILC to offer affordable credit or digital banking tools to underserved populations, this should be considered a positive contribution to financial inclusion.

While some concerns raised about the mixing of banking and commerce are valid, they can be mitigated through targeted safeguards. The FDIC could require resolution plans, activity restrictions, or enhanced reporting for ILCs owned by large or complex parent companies. These measures would allow fintech's to operate within a regulated framework without imposing undue systemic risk.

Either as a partner or as a chartered participant, the ILC charter remains a valuable tool for innovation and financial inclusion. This initiative is timely and important, especially as fintech firms continue to innovate and expand access to financial services.

Fintech companies are uniquely positioned to serve underserved communities, improve financial inclusion, and introduce efficiencies in lending, payments, and digital banking. However, their continued growth depends on the FDIC's ability to modernize its regulatory framework. By broadening its rules and enhancing oversight, the FDIC can ensure that ILCs contribute positively to the financial system without compromising safety, soundness, or consumer protection.

OLA appreciates this opportunity to offer input on these key issues. If you have questions or need additional information, please feel free to contact me at [redacted].

Sincerely,

Michael Day
Policy Director
Online Lenders Alliance