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TRANSPORTATION AND INFRASTRUCTURE COMMITTEE

FINANCIAL SERVICES COMMITTEE

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Congress of the United States
House of Representatives
Washington, DC 20515–4402

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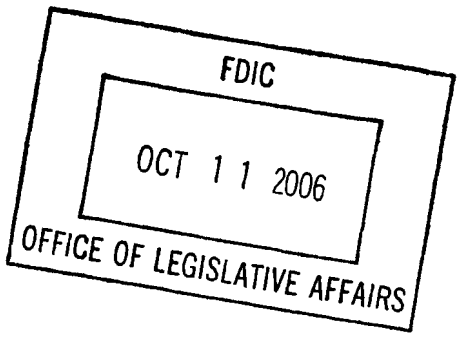

Sheila C. Bair
Chairman
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Dear Chairman Bair:

Thank you for the opportunity to comment regarding the Federal Deposit Insurance Corporation's (FDIC) regulation of industrial banks or industrial loan companies (ILCs).

As you know, industrial banks are FDIC-insured depository institutions chartered under the laws of Utah, California, Colorado, Nevada, Hawaii, Indiana, and Minnesota. Industrial banks are subject to comprehensive regulation and supervision by their respective state banking regulators and the Federal Deposit Insurance Corporation (FDIC), and in many cases, subject to consolidated holding company regulation by the Office of Thrift Supervision (OTS) and the Securities and Exchange Commission (SEC).

Industrial banks are subject to all of the federal banking laws that apply to other FDIC-insured state-chartered banks including consumer protection requirements, restrictions on transactions with affiliates, depository reserve requirements, safety and soundness requirements, and Community Reinvestment Act requirements. Congress expressly exempted the parent companies of industrial banks from the Bank Holding Company Act with the enactment of the Competitive Equality Banking Act (CEBA) in 1987.

While there has been much debate generated in recent months regarding the notion that ILCs allow for the inappropriate mixing of banking and commerce, this is simply not true. Industrial banks cannot engage in any activity not approved by their regulator nor can they engage in any activity not permitted for other insured depository institutions. They are subject to Section 23A and 23B of the Federal Reserve Act which severely restricts transactions between the bank and its parent company.

Industrial banks do not pose a threat to the safety and soundness of the national banking system. As a group, industrial banks are better capitalized and better rated than other banks, and it should be noted that no Utah ILC has failed. Former FDIC Chairman Powell asserted that ILC charters "pose no greater safety and soundness risk than other charter types." Additionally, a report issued by the General Accountability Office (GAO) in 2005 said that "from an operations standpoint, ILCs do not appear to have a greater risk of failure than other types of depository institutions."

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When financial difficulties have arisen within the parent companies of industrial banks, the ILCs supervised by both the Utah Department of Financial Institutions and the FDIC have proven to be isolated from the parent companies. In fact, a January 2005 FDIC publication indicated that "the bankruptcy of the corporate owner of an ILC – Conseco Inc – but not of the ILC itself illustrates how the bank-up approach can effectively protect the insured entity without there being a BHC-like regulation of the parent organization."

There are currently 33 active industrial banks operating in Utah holding over $120 billion in assets. With regulation and supervision by the state of Utah and the FDIC, these banks have proven to operate in a safe and sound manner while doing well in a competitive financial services market.

Any actions placing roadblocks on the chartering of industrial banks is not in the best interest of consumers. As a member of the Committee on Financial Services in the U.S. House of Representatives, I look forward to working work with you to ensure that these safe and sound institutions continue to serve consumers across the nation while providing a healthy dose of competition to an increasingly concentrated banking industry.

Sincerely,

Jim Matheson

Jim Matheson
Member of Congress