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INDUSTRIAL BANKS RESPOND TO RECENT SEMINAR

“We agree with the BPI that examining Industrial Banks in today’s environment is important and necessary. Failing to include anyone on the panel representing Industrial Banks makes me wonder if the actual purpose of the panel was to obfuscate the facts about Industrial Banks rather than educate interested stakeholders,” stated Frank Pignanelli, Executive Director, The National Association of Industrial Bankers. (“Industrial Banks” is the most accurate label for these institutions.)

Pignanelli was responding to a seminar regarding Industrial Loan Companies (ILCs) conducted by the Bank Policy Institute (BPI) on Friday, March 12. According to the BPI release, the purpose of the event was to “encourage discussion on the role of ILCs in the modern financial system and to explain the latest and regulatory environment governing ILCs”.

“Any firm that wants to provide banking services should be taxed and regulated like a bank and be required to protect their customers’ money, privacy and data. Industrial Banks are state chartered, FDIC insured banks and are subject to all bank regulation,” added Pignanelli.

The only meaningful regulatory issue raised at the seminar was the fact that Industrial Banks are subject to consolidated supervision by the FDIC rather than the Federal Reserve. However, there was no evidence provided for claims that consolidated supervision by the Fed has been more effective than the consolidated supervision provided by the FDIC. In fact, there was no substantive discussion of existing FDIC regulations that effectively prevent the mixture of banking and commerce.

“The FDIC quarterly call report data conclusively demonstrate that Industrial Banks are among the safest and soundest financial institutions in the country. This is further documented by the “Barth Study”. Industrial Banks are rigorously examined by the FDIC and the states where they are chartered. This includes compliance with CRA and every other bank regulation,” provided Ray Specht, Chairman, NAIB. (Specht is referring to “A New Look at the Performance of

Industrial Loan Corporations" James Barth and Yanfei Sun located at:
https://industrialbankers.org/wp-content/uploads/2018/10/ILC_REPORT_BARTH_2018.pdf)

"Objective analysis and studies have documented that Industrial Banks are extremely well capitalized. Beyond these high levels of bank capital, FDIC regulations require Industrial Bank parents to provide any capital needed when losses occur, something traditional bank holding companies would struggle to do," added Specht.

Howard Headlee, President of the Utah Bankers Association agreed with concerns raised about data protection, "We concur with the BPI that data protection is fundamental to every bank operation, and we have no reason to doubt that the FDIC, which regulates Industrial Banks and their parents, is equally committed to assuring the security of all bank customer data. We look forward to working with the BPI on measures that ensure these protections exist for all consumers," offered Headlee.

There was one particularly awkward moment during the seminar when one of the panelists acknowledged that their main concern about Industrial Banks preempting state laws also applied to all commercial banks, even those subject to consolidated supervision by the FED.

Pignanelli summarized his concerns with the seminar by saying, "To paraphrase President Reagan, 'there they go again'. The structure and substance of this event makes one thing perfectly clear, this one-sided discussion is not about the safety of Industrial Banks, how they serve their customers or the banking system. Instead, it was an hour-long infomercial about shutting out fair and effectively regulated competition," Pignanelli declared.

The National Association of Industrial Bankers is a national trade organization for Industrial Loan Companies (ILCs), which are also known as "industrial banks." ILCs operate under the titles: industrial loan corporations, industrial banks, or thrift and loan companies in Nevada. NAIB champions innovative and safe financial services for Americans by expanding access to credit, guaranteeing consumer choice, and providing unique banking services.

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