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Memo

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Date: April 30, 2007

To: Members of the House Financial Services Committee

From: Floyd Stoner, Executive Director, Congressional Relations and Public Policy

RE: Support for H.R. 698, the Industrial Bank Holding Company Act of 2007

On behalf of the members of the American Bankers Association (ABA), I am writing to express strong support for H.R. 698, the Industrial Bank Holding Company Act of 2007. ABA urges the Committee to adopt this bill and oppose all amendments to the bill, other than the Manager's Amendment. H.R. 698 is scheduled for markup in the Financial Services Committee tomorrow, May 1.

The most important aspect of Chairman Frank and Rep. Gillmor's bill is the elimination of the authority in current law that allows a commercial company to acquire an industrial loan company (ILC). ABA opposes the acquisition or chartering of banks by non-financial commercial firms. By prohibiting non-financial commercial companies from obtaining ILCs, H.R. 698 would eliminate this mechanism for the mixing of banking and commerce.

The Manager's Amendment to H.R. 698 reflects changes worked out between the bill's sponsors and the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board (FRB), the Office of Thrift Supervision and the Securities and Exchange Commission. These changes will provide the FDIC with the regulatory tools to effectively supervise industrial bank holding companies (IBHC) in a manner substantially similar to the powers of the FRB over bank holding companies. These changes are important clarifications and are consistent with previous Congressional actions separating banking and commerce.

H.R. 698 appropriately resolves regulatory concerns while recognizing the interests of those who are currently lawfully engaged in ILC operations. It is important that Congress act quickly to address the ILC issue, and the Committee's action tomorrow is an important step in this process. Several ILC applications by commercial firms are currently pending before the FDIC. In the absence of Congressional action, these applications could be approved once the FDIC's moratorium on approvals of ILC deposit insurance applications and notices in change of control expires in early 2008. Therefore, ABA urges House Financial Services Committee approval of H.R. 698.