

INDUSTRIAL BANK HOLDING COMPANY ACT OF 2008

(Dodd Discussion Draft)

Summary of the Bill. The bill closes the industrial loan company (ILC) loophole by preventing commercial firms from acquiring or establishing an ILC. Existing ILCs are grandfathered, but could not be acquired by commercial firms. ILC holding companies – unless already supervised by the Federal Reserve, Office of Thrift Supervision, or SEC – would be subject to consolidated supervision by the FDIC, comparable to supervision exercised by the Fed and the OTS.

Effects on Classes of ILC:

- **New Commercial Firm Applications.** Commercial firms could not acquire or establish an ILC. Any renewed application by Wal-Mart or Home Depot would be denied. Commercial firms could not acquire a grandfathered ILC.
- **Commercial Firm ILC Established October 1, 2007.** Grandfathered. It could engage in new activities if approved by FDIC under a balancing test, similar to the BHC Act. It could not operate branches outside its home state. It could not be sold to a commercial firm. Cannot branch beyond their home state or states where they already have a branch.
- **Auto/Motorcycle Companies.** Could acquire or form ILCs if they derive 51% of their revenue from manufacturing cars or motorcycles. Cannot branch beyond their home state or states where they already have a branch.
- **Securities Firms.** Firms subject to SEC consolidated supervision could acquire or form ILCs.

“Commercial Firm” Defined. Engaged in any activity not defined as “financial” under the Gramm-Leach-Bliley Act.

CRA: ILCs with non-financial affiliations must be well-capitalized and well managed and maintain a satisfactory CRA rating.

New Activities. FDIC would have to approve any new activities for grandfathered or auto ILCs, based on a balancing test of benefits versus potential harms.

Regulation of ILC Holding Companies. The FDIC would have:

- Power to examine ILC holding companies, their subsidiaries and affiliates;
- Power to require ILC holding companies to maintain records and provide periodic reports of their operations; and
- Enforcement authorities nearly commensurate with those of the consolidated supervisors like the Fed and OTS, including the power to issue orders requiring any ILC holding company or any ILC holding company subsidiary to cease or correct actions that threaten the safety and soundness of the ILC.