

December 7, 2022

The Honorable Sherrod Brown
U.S. Senate
Washington, D.C. 20510

The Honorable Robert P. Casey, Jr.
U.S. Senate
Washington, D.C. 20510

The Honorable Chris Van Hollen
U.S. Senate
Washington, D.C. 20510

Re: Support for the Close the Shadow Banking Loophole Act

Dear Senators Brown, Casey, and Van Hollen:

On behalf of the Independent Community Bankers of America (ICBA), the undersigned state banking associations, and the thousands of community banks we represent, we write to express our strong support for the Close the Shadow Banking Loophole Act, which would amend the Bank Holding Company Act to permanently close the industrial loan company (ILC) loophole while grandfathering existing ILCs.

Industrial loan companies are the functional equivalent of commercial banks, engaging in a broad range of consumer and business credit and other financial services on a nationwide basis. However, ILCs exploit a loophole in the Bank Holding Company Act to evade consolidated supervision and thereby create a threat to safety and soundness. With the real possibility of an economic recession in the coming months, which could trigger widespread defaults on both commercial and consumer loans, policy makers must act now to address the systemic risk created by ILCs.

Commercial ownership of ILCs creates an additional threat. ILCs owned by non-financial, commercial firms are an exception to long-standing American policy of separating banking and commerce. This policy is fundamental to a prosperous and diverse economy. Bank independence from commercial activities is essential to their ability to assess risk and create fair access to credit based on credit worthiness and economic potential. Credit allocation would be jeopardized if commercial firms were allowed to own or control banks or their functional equivalents. In an era of Big Data, social media and e-commerce conglomerates, artificial intelligence, and financial technology, mixing banking and commerce creates a new dimension of risk to consumer privacy, price manipulation, and fraud.

Thank you for introducing this important legislation. We look forward to working with you to advance it.

Sincerely,

Independent Community Bankers of
America

Arkansas Community Bankers
Independent Community Bankers of
Colorado

Community Bankers Association of
Illinois

Community Bankers of Iowa

Alabama Bankers Association

California Community Banking Network

Community Bankers Association of
Georgia

Indiana Bankers Association

Community Bankers Association of
Kansas

Bluegrass Community Bankers Association
Community Bankers of Michigan
Mississippi Bankers Association
Montana Independent Bankers
New Jersey Bankers Association
Independent Bankers Association of New York State
Independent Community Banks of North Dakota
Community Bankers Association of Oklahoma
Independent Banks of South Carolina
Tennessee Bankers Association
Virginia Association of Community Banks
Community Bankers of West Virginia

Louisiana Bankers Association
BankIn Minnesota
Missouri Independent Bankers Association
Nebraska Independent Community Bankers
Independent Community Bankers Association of New Mexico
North Carolina Bankers Association
Community Bankers Association of Ohio
Pennsylvania Association of Community Bankers
Independent Community Bankers of South Dakota
Independent Bankers Association of Texas
Community Bankers of Washington
Wisconsin Bankers Association