

Chris Dodd

U.S. SENATOR FROM CONNECTICUT



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CONTACT: Justine Sessions
202-224-0345

Statement of Chairman Christopher J. Dodd
Senate Banking, Housing and Urban Affairs Committee
Hearing on the “Regulation and Supervision of Industrial Loan Companies”

I want to thank Senator Brown for chairing today’s hearing and thank Ranking Member Shelby for his cooperation in putting this hearing together, as well.

Industrial loan companies, or ILCs, are state-chartered and state-regulated depository institutions regulated primarily by the Federal Deposit Insurance Corporation (FDIC). They enjoy a unique status within America’s financial services landscape, the result of the Competitive Equality Banking Act (CEBA) of 1987. ILCs can engage in most banking activities under specific state laws and are eligible for FDIC insurance, but are designated “non-banks” exempt from the statutory, and supervisory, framework of the Bank Holding Company Act, which restricts the mixing of banking and commercial activities for bank holding companies and their affiliates.

In recent years, we have witnessed a significant increase in the size and number of ILCs, and applications to acquire ILCs being filed with the FDIC, leading to increased focus on the ILC charter and regulatory structure. Most recently, Wal-Mart, Home Depot, and several other large commercial firms applied to the FDIC for the right to acquire ILCs. The Wal-Mart application, in particular, triggered fierce opposition on various grounds from an array of interest groups, resulting in thousands of comment letters being filed with the FDIC.

The public and congressional opposition to the Wal-Mart application led the FDIC to impose a six-month moratorium on ILC applications. The agency decided to extend that moratorium an additional year, through January 31, 2008, though applied solely to application for ILCs to be owned or controlled by commercial firms. In extending the moratorium the FDIC sought to allow Congress to consider, and ultimately decide upon, the public policy question brought about by the Wal-Mart application, including the public policy implications of the mixing of banking and commerce as it relates to ILC ownership by commercial firms.

Today's hearing provides the Committee with an important opportunity to hear from a broad spectrum of stakeholders on all sides of the ILC debate – regulators, industry representatives, academics and concerned citizens. It is my hope that Committee members will come away from this hearing with a better understanding of the regulation and supervision of ILCs; a historical perspective on the evolution of the ILC structure; an understanding of the public policy concerns related to the mixing of banking and commerce and commercial ILC ownership; and an awareness of the arguments in favor of and in opposition to such combining. Most importantly, Committee members will hear a wide array of views from our witnesses on ways to enhance, strengthen or reform the ILC charter.

I want to again thank Senator Brown for chairing today's hearing. And I extend my thanks to all of the witnesses for taking the time to come before the Committee today on this timely issue. I look forward to reviewing the witness testimony, and the hearing transcript, and working with my Committee colleagues moving forward towards a process that I hope will result in bipartisan ILC legislation moving out of this Committee in the coming weeks.