August 20, 2025

Ms. Jennifer Jones
Deputy Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, D.C. 20429

Attention: Comments RIN 3064-ZA48

Dear Ms. Jones:

This letter is in response to the FDIC's July 15, 2025, Request for Information on Industrial Banks and Industrial Loan Companies and Their Parent Companies ("RFI"). I appreciate the opportunity to share my unique perspective as a retired Chief Executive Officer, President and Chief Financial Officer of several industrial banks over my career. I have always viewed the FDIC and Utah Department of Financial Institutions ("UDFI"} as key partners and stakeholders in the success of each bank that I managed. My comments in this letter primarily will address my experience in managing industrial banks over my career and the various interactions with the FDIC and UDFI in supervising those banks. Managing an industrial bank is the same as any other bank in the country. We all have shareholders, regulators, employees and customers with a variety of banking products and services we offer. Industrial banks should be regulated the same in practice as any other bank.

***Personal Information***

My career began in 1987 with a small industrial bank. This was the same year that Congress passed the Competitive Equality Banking Act of 1987 which resulted in industrial companies looking at industrial bank charters to support their businesses. Little did I know that industrial banks would make up some of the strongest and best run banks in the nation. My 38-year career has given me the opportunity to work with a diverse group of companies that utilized the industrial bank charter to support credit products, payment processing, trust services and deposit capabilities for existing and new customers. Upon retirement I consulted with the State of Utah, Governors Office of Economic Development promoting and expanding the growth of industrial banks in Utah. I continue to be active in the banking industry by serving as a board member for an industrial bank.

***Policy vs. Policial Concerns***

This RFI highlights the fact that there is renewed interest in the industrial bank charter and the FDIC is seeking greater clarity and transparency regarding the FDIC's approach to evaluating the statutory factors applicable to certain filings for industrial banks. I applaud this effort as historically the process has been less than transparent. It should be noted that there was also a renewed interest when Ms. Jelena McWilliams was confirmed as the Chairman of the FDIC and began a transparent effort for organizers to submit applications for new banks. Within a few weeks of being sworn in as the Chairman of the FDIC, Chairman McWilliams addressed the 2018 Utah Bankers Convention as a clear sign of transparency with the message that the FDIC was open for business for new bank applications, including industrial banks. When Chairman

McWilliams resigned the window closed and only opened again because of the 2024 Presidential election and the resignation of Mr. Martin Gruenberg.

I would encourage the FDIC to take the necessary steps to prevent the window from opening and closing based upon the political climate of the day. Banking should not be a political hot potato. In the end, current and potential customers of all banks, including industrial banks are the ones that lose. The policy of the FDIC for approving and regulating all banks must transcend the politics of the day.

***Industrial Bank Studies***
April 2011, the Milken Institute published a research study on industrial banks titled, Industrial Loan Companies, Supporting America's Financial System[1]. Noted in the executive summary, FDIC Chairman Sheila Bair testified before Congress on April 25, 2007 and said the following,

> "The ILC charter has proven to be a strong responsible part of our nation's banking system. ILCs have offered innovative approaches to banking. Many have contributed significantly to community reinvestment and development."

An updated study of the strength of industrial banks was published in January 2018, titled "A new Look at the Performance of Industrial Loan Corporations"[2] Both of these studies provide detail into the strength of the industrial bank charter. In fact, in most cases, the industrial banks have performed well beyond peer institutions with higher capital ratios, higher profits, lower credit losses and higher liquidity. Industrial banks typically also have greater access to capital due to their ownership structure. Industrial banks have a proven track record of being well run and managed and their history would show they should be approved and regulated the same as any other bank.

I would encourage the FDIC to review these studies as they provide valuable insight on the strength of industrial banks to the nation while posing no additional risk to the deposit insurance fund or to consumers. These studies support an expansion of the industrial bank charter.

***Statutory Factors***
This RFI provides a good summary of the seven statutory factors required for the organizers of an application for deposit insurance including various questions about how industrial banks may be evaluated differently than other banks. The RFI notes,

> "This review will inform potential changes to how the agency evaluates the statutory factors in the context of the unique aspects of industrial bank business plans and the issues presented by the range of companies that may form an industrial bank."

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[1] See Milken Institute, Industrial Loan Companies, Supporting America's Financial System, Authors – James R. Barth and Tong Li with Apanard Angkinand, Yuan-Hsin Chiang and LiLi
[2] See http://industrialbankers.org/wp-content/uploads/2018/10/ILC_REPORT_BARTH_2018.pdf

The language above seems to indicate that the FDIC believes the bank charter type defines how the statutory factors should be applied. The statutory factors were established by Congress and should be applied to all banks equally regardless of charter type. My experience has shown that the FDIC already has what it needs to evaluate bank applications based upon the risk profile of the bank and not the charter type. Furthermore, deposit insurance applicants understand the need to provide clear and detailed information to support a strong application by completely addressing these well-established statutory factors. The burden continues to be on the organizers to provide a solid well thought out plan and the FDIC has a responsibility to provide a timely decision based upon the statutory factors and not the charter type. Industrial bank applications for deposit insurance deserve the same treatment regarding the evaluation of the statutory factors as any other bank.

I would encourage the FDIC to follow the statutory factors as Congress has defined and apply them equally across all bank applications, including industrial banks. Bank applications should be evaluated based upon their risk profile and not the charter type.

***Approval Process***

During the 90s there were many new industrial banks being formed. Many of those banks still exist and have operated in a safe and sound manner over many years. Prior to the moratorium, organizers of a new industrial bank would prepare the required deposit application and submit it to both the FDIC San Francisco office and the UDFI. These applications were processed and approved by the FDIC San Francisco office under delegated authority from the FDIC Washington office. The UDFI approval was conditional on the new bank obtaining FDIC insurance. After the moratorium the FDIC Washington office required all industrial bank applications to be approved by the FDIC Washington office. The result of this change has been that deposit insurance applications for industrial banks all but dried up since the FDIC Washington office would never determine that an application was complete. The FDIC regional offices would process the applications and submit their recommendations to the FDIC Washington office. The FDIC regional offices have no authority for industrial bank applications and have functioned more as a processor and messenger. The FDIC Washington office would engage in never ending information requests that would go on for years. It appeared that the FDIC Washington office had no interest in approving an application and simply wanted to transfer the blame for the delay in processing from the FDIC Washington office to the applicant with never-ending superfluous questions. Many applicants eventually gave up and pulled their applications in frustration with the lack of process and transparency. The cost to the applicants grew exponentially with staffing costs, attorney costs, consultant expenses and other operating costs. Many applications were in process for multiple years with millions of dollars of unnecessary expenses and no clear end in sight.

It is unacceptable for all bank applications to not be processed in a timely manner and with total transparency. The process for industrial banks should be no different than any other bank application. The application process worked very well in the 90s and resulted in strong viable banking institutions. The process also was consistent with how the FDIC approved other bank applications at the time. I encourage the FDIC to create transparency in the approval process by treating industrial bank applications the same as all bank applications. I would also encourage the FDIC to take a closer look at granting delegated authority for industrial bank approvals to each FDIC regional director.

***Examination Process***
Over my long career, I have experienced countless numbers of FDIC and UDFI examiners. I have found most examiners to be reasonable and fair. One thing that stands out is that the negative tone at the top of the FDIC in the past has filtered very quickly down to the field examiners. I have recently noticed the tone changing and am hopeful that will continue. Industrial banks at their core are no different than any other state-chartered bank. The quote in the RFI below sends that message and should also be how the FDIC regulates industrial banks in practice. All industrial banks want is to be treated the same way every other state-chartered bank is treated. I encourage the FDIC to be consistent in this message in policy and in practice. Industrial banks have not and do not need additional regulation.

> "Because industrial banks are insured State nonmember banks, they are subject to the FDIC Rules and Regulations applicable to State nonmember banks, as well as other provisions of law, including restrictions under the Federal Reserve Act governing transactions with affiliates, anti-tying provision of the BHCA, and insider lending regulations. Industrial banks are also subject to regular examination, including examinations focused on safety and soundness; anti-money laundering and countering the financing of terrorism compliance; compliance with consumer protection laws and regulations, including those related to fair lending; Community Reinvestment Act; information technology; and trust services."

***Conclusion***
Responding to this RFI has given me the opportunity to reflect on the value of financial services in its many forms across this great country. National banks and state-chartered banks (which include industrial banks) each provide a unique need and support to a very diverse and complicated nation. Given that all banks operate under the same regulatory framework, I trust that the FDIC will conclude what I have seen over my career – industrial banks are no different than any other bank and should be treated in practice and policy equally.

I am proud of the role industrial banks have played and will continue to play in the strength of our nation. Please feel free to contact me should you need further information or if I can provide additional detail.

Sincerely,

[redacted]

Kelvin L. Anderson