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January 30, 2007

The Honorable Barney Frank
Chairman, House Committee on Financial Services
2308 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Frank:

On behalf of the members of the American Bankers Association (ABA), I am writing to express our strong support for H.R. 698, the Industrial Bank Holding Company Act of 2007. ABA urges Congress to enact this legislation quickly.

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

H.R. 698 would establish a number of other important regulatory guidelines with respect to ILC operations. It would establish a bright-line test regarding who may own ILCs in the future, limiting ownership to those parent companies that are truly "financial." It would create significant federal regulatory supervision of ILC parent company operations, broadly empowering the Federal Deposit Insurance Corporation (FDIC) to act in this area. The bill would establish appropriate restrictions on grandfathered ILC operations, limiting the ability to transfer ownership of these ILCs to new commercial companies, and, in some instances, the ability to branch or engage in new activities.

These provisions are important clarifications to existing law that, consistent with previous Congressional actions separating banking and commerce, appropriately resolve 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. High-profile ILC applications currently are pending before the FDIC. In the absence of Congressional action, these applications may be approved once the FDIC's moratorium on approvals of ILC deposit insurance applications and notices in change of control expires.

ABA strongly supports H.R. 698, appreciates your leadership in this area, and pledges to work aggressively in support of the bill's quick passage.

Sincerely,

Floyd E. Stoner