



Press Release

New Developments in Industrial Loan Companies

ALLISON EDWARDS | MARCH 19, 2020

The Federal Deposit Insurance Corporation (FDIC) on Tuesday approved a rule that codifies its management of industrial loan companies (ILCs). ILCs were designed to provide limited lending support to underserved markets, yet they have expanded to offer a large number of banking services, and the FDIC put a moratorium on new ILC applications in 2006. While this rule is welcome, the more surprising development is that the FDIC approved two new ILCs just one day after this rule, writes AAF's Director of Financial Services Policy Thomas Wade in a new primer.

An excerpt:

The proposal is undoubtedly a step in the right direction. Simply codifying existing practices into a regulatory architecture is a desirable goal in and of itself, but the rule goes further by proposing some new requirements, including that a parent company make available a constant [pool of capital or access to credit](#) to the bank that it owns.

While these developments are to be welcomed (and unanimity at FDIC only highlights this point), the impact is confined solely to the ILCs that the FDIC already regulates, and this proposal on its face thus does not indicate that any *de novo* ILC charters would be granted. It was therefore surprising that a day later the FDIC approved two new charters, the first since 2006. Fresh life has been breathed into the viability of ILCs, and this is a series of decisions that fintechs and other firms will be following closely and should lead to an explosion in the number of ILC applications to the FDIC.

[Read the primer.](#)