

Opening Statement to be Submitted to the Record
Rep. Julia Carson
Financial Institutions and Consumer Credit Subcommittee
ILC Charter, Supervision and Oversight Issues

Good morning, I would first like to thank the Chairman and Ranking Member for holding this important hearing on industrial loan corporations.

Over the past ten years, the number of large corporations using the ILC loophole to transition into the banking sector has been on a steady incline. The increased use of this loophole is blurring the line between banking and commerce, decreasing competition and deteriorating supervisory authority.

Allowing banking and commerce to merge so close together can be dangerous. If a corporation that is engaged in the retail sector begins to have financial trouble, those troubles can quickly spread the corporation's financial sector. In the past, Congress has actively found ways to supervise and regulate bank holding companies to ensure that a corporation has enough capital to stay financially sound. The ILC loophole has allowed more and more corporations to become FDIC-insured while avoiding restrictions and requirements that other insured financial institutions must adhere to.

Another risk that ILCs pose is to small community banks and local businesses. The twelfth largest insured bank with more than \$54 billion in deposits is an ILC. Some argue that allowing large businesses and corporations to offer

financial products will create competition among banks in a community. However, large corporations are often out for the money and may engage in predatory pricing in order to appeal to customers, and then raise prices once competition is eliminated. This would allow large corporations to create monopolies in small towns in both the retail and financial sectors.

Federal regulators have limited authority to examine bank holding company's business practices and financial soundness. It is important that Congress provide the federal regulators with the tools necessary to examine thoroughly a bank holding company, its subsidiary banks and the relationship between the two. By authorizing this authority, the federal government will be able to protect itself from large scale risks while protecting public interest.