



The Honorable Chris Dodd
Chairman, Committee on Banking, Housing,
and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Richard Shelby
Ranking Member, Committee on Banking, Housing,
and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, DC 20510

July 19, 2007

Dear Chairman Dodd and Ranking Member Shelby:

The undersigned banking organizations strongly urge your support of the *Industrial Bank Holding Company Act of 2007* (S. 1356). Senators Johnson, Brown, and Allard introduced this legislation which was referred to the Banking Committee on May 10, 2007. We urge the Senate Banking Committee to schedule consideration of this legislation to preserve the historic separation between banking and commerce.

While federal law currently prohibits the mixing of banking and commerce, some commercial firms circumvent this long-held principle by utilizing a provision of law permitting state-chartered industrial loan companies ("ILCs") to operate as FDIC-insured banks. The *Industrial Bank Holding Company Act* is needed to maintain the integrity and safety and soundness of the nation's financial system, including deposit taking, lending, and payments processing, by prohibiting any additional commercial companies from acquiring ILC charters. Failure to address this problem will allow commercial firms to charter and acquire additional ILCs and may allow these commercial firms to direct credit to their commercial businesses and restrict credit to their competitors. Such allocations of credit would have a negative impact on consumers of credit, our financial system and our economy.

Time is of the essence. Notably, the FDIC has instituted a moratorium on ILC applications by commercial firms through January 31, 2008, to allow Congress time to act on this important public policy problem. Commercial firms have questioned the legal authority of the FDIC to impose such a moratorium, and these firms may seek to end the moratorium before it expires.

A majority of the banking industry supports the separation of banking and commerce because it is good for our customers, our financial system and our economy. We strongly support S. 1356 and urge your prompt consideration of this bill. We appreciate your leadership on this important public policy issue.

Respectfully,

American Bankers Association
America's Community Bankers
Independent Community Bankers of America