



Dear Senator Portman,

On behalf of Ohio's 479 financial institutions collectively represented by the Ohio Credit Union League (OCUL) and the Ohio Bankers League (OBL), we are writing to ask for your consideration in cosponsoring Senator Sherrod Brown's legislation aimed at closing the fintech and Industrial Loan Company (ILC) bank charter loophole. Protecting and preserving bank and credit union safety and soundness remains a joint priority of both OBL and OCUL and the millions of Ohioans served by our collective association members.

On March 18, 2020, during the most chaotic early days of the COVID-19 pandemic, Square became the first U.S. fintech company to receive conditional approval for an ILC charter. Currently, Square does not have to comply with the same capital standards or regulatory requirements as banks and credit unions, among several fintechs granted a charter within the last year. As a result, these ILC charter deposits are now insured just like those of our members and customers, but are not subject to federal consolidated supervision, leaving a dangerous gap in safety and soundness oversight. With increased economic and financial uncertainty facing many consumers, adding additional and unassessed risk to institutional safety and soundness during recovery efforts is misguided.

The ILC history is wrought with plenty of attempts by companies, such as Walmart, Home Depot, and Rakuten, to skirt traditional rules barring banks and credit unions from also participating in commerce, contrary to long standing American economic policy. Federal law prohibits all other full-service banks and credit unions, whether federally or state chartered, from being owned by commercial companies.

In addition to our longstanding concerns with ILCs, former Comptroller of the Currency Brian Brooks created an OCC fintech charter last year. This was an attempt to streamline and reduce the regulatory process to allow fintechs to obtain a banking charter. Instead, it empowered a political appointee of a prudential banking federal regulator to grant charter access; an administrative overreach that usurps sole congressional authority to amend statutes governing financial institution charters.

We respectfully request your support for Senator Brown's fintech and ILC charter loophole legislation to preserve the integrity of the financial institution charter process. The FDIC, OCC, NCUA and every state financial service regulator all have a robust process in place to apply for a De Novo bank or credit union charter, ensuring there are safeguards for the banking system and equal safety and soundness measure in place for the consumer.

We appreciate your careful consideration and look forward to further dialogue on this important issue.

Sincerely,

A blue ink signature of Michael J. Adelman, consisting of several vertical and horizontal strokes.

Michael J. Adelman
President & CEO, Ohio Bankers League

A blue ink signature of Paul L. Mercer, featuring a stylized, cursive script.

Paul L. Mercer
President, Ohio Credit Union League