

**INDUSTRIAL LOAN COMPANY BRANCH BANKING**  
**-SUMMARY OF STATE LEGISLATION-**

The following eight states have introduced legislation prohibiting or limiting industrial loan companies (ILC) from establishing or maintaining branches for the purpose of conducting banking business within its state: Iowa; Illinois; Kentucky; Maryland; Michigan; Missouri; Pennsylvania; and Virginia. Two of these states, Michigan and Pennsylvania, have introduced bills to explicitly prohibit out-of-state branching by Utah corporations.

The following three states have introduced legislation allowing for de novo interstate branching on a reciprocal basis: Alabama; Mississippi; and Oklahoma.

Bill details are below.

**STATE LEGISLATION PROHIBITING ILC BRANCH BANKING**

**IOWA**

Bill #: House 2587 / Senate Bill 2376  
Bill Sponsor: House Committee on Commerce, Regulation and Labor / Senate Commerce Committee  
Introduced: 03/01/06, 03/07/06  
Status: Enrolled

This bill amends various regulations regarding financial institutions, including banks, bank holding companies and industrial loan companies. It defines "commercial activities" as "activities in which an industrial loan company is not specifically authorized to engage under the provisions of this chapter." Further, the bill restricts a licensed industrial loan company from conducting its business within a place of business or premises "in which commercial activities are conducted, unless the place where its business is conducted by the industrial loan company is physically separated from the location where commercial activities are conducted and has a separate entrance."

This bill further prohibits out-of-state industrial loan companies, industrial banks or similar institutions from the following activities:

- 1) Establish or operate a branch in the state.
- 2) Directly or indirectly acquire control of an industrial loan company located in the state.
- 3) Directly or indirectly acquire all or substantially all of the assets of an industrial loan company in the state.

.....  
**ILLINOIS**

Bill #: House Bill 4660  
Bill Sponsor: Rep. Mike Boland  
Introduced: 01/12/06  
Status: Pending in House Rules Committee

This bill amends the Illinois Banking Act to prohibit an industrial loan company or industrial bank from establishing or maintaining one or more branches for the purpose of conducting any banking business within the State. Under the bill, the terms "industrial loan company" and "industrial bank" include "any company chartered under the laws of any state: (i) that is insured or regulated by the Federal Deposit Insurance Corporation; (ii) that engages in one or more banking activities; and (iii) that is owned, directly or indirectly, by a commercial entity that is not a bank holding company or a financial holding company subject to regulation under the federal Bank Holding Company Act of 1956."

.....  
**KENTUCKY**

Bill #: House Bill 631  
Bill Sponsor: Rep. James Bruce  
Introduced: 01/12/06  
Status: Read second time. To Senate Rules Committee on 03/03/06

This bill prohibits a person from directly or indirectly acquiring control of an industrial loan corporation, unless the person is only engaged in the activities permitted for financial holding companies. It defines "control" as possession, direct or indirect, of the power: (a) to vote twenty-five percent (25%) or more of any class of the voting securities issued by a person; or (b) to direct or cause the direction of the management and policies of an industrial loan corporation, whether through the ownership of voting securities, by contract (other than a commercial contract for goods or nonmanagement services) or otherwise.

.....  
**MARYLAND**

Bill #: House Bill 1735 /Senate 1093  
Bill Sponsor: Del. Brian Moe / Sen. John C. Astle  
Introduced: 03/16/06  
Status: Reassigned on 03/20/06 to the House Committee on Economic Matters/ Senate Committee on Finance

This act prohibits a banking institution or out-of-state bank from establishing or maintaining a in-state branch on the premises or property of an affiliate if the affiliate engages in commercial activities. A banking institution or an out-of-state bank that does not engage in commercial activity, however, is not prohibited from establishing a de novo branch within the state. "Commercial activity" is defined as activity in which "a bank holding company, a financial holding company, a national bank, or a national bank financial subsidiary may not engage under Federal Law."

.....  
**MICHIGAN**

Bill #: House Bill 5884  
Bill Sponsor: Rep. John J. Gleason  
Introduced: 03/16/06  
Status: Referred to the Committee on Banking and Financial Services

The "Banking Code of 1999" allows an out-of-state bank or national bank, whose laws permit the establishment in that state of a branch by a bank, to establish and operate one or more branches in the state of Michigan. The purpose of this bill is to exclude all industrial loan bank or industrial loan companies organized under the laws of the state of Utah from these provisions, thereby prohibiting out-of-state branching in Michigan by Utah corporations.

.....  
**MISSOURI**

Bill #: House Bill 1952  
Bill Sponsor: Rep. Ray Salva  
Introduced: 03/16/06  
Status: To House Committee on Local Government on 03/09/06

This bill prohibits an industrial loan company or industrial bank from establishing or maintaining one or more branches for the purpose of conducting any banking business within the state. Under the provisions, the terms "industrial loan company" and "industrial bank" include any company chartered under the laws of any state that: (1) is insured or regulated by the Federal Deposit Insurance Corporation; (2) engages in one or more banking activities; and (3) is owned, directly or

indirectly, by a commercial entity that is not a bank holding company or a financial holding company subject to regulation under the Federal Bank Holding Company Act of 1956.

.....  
**PENNSYLVANIA**

Bill #: Senate Bill 1141  
Bill Sponsor: Sen. Christine Tartaglione  
Introduced: 03/20/06  
Status: Referred to Senate Banking and Insurance Committee

Similar to Michigan bill #5884, this bill prohibits an industrial bank chartered under the laws of Utah from establishing a branch in Pennsylvania.

.....  
**VIRGINIA**

Bill #: House Bill 195  
Bill Sponsor: Del. Terry G. Kilgore  
Introduced: 01/11/06  
Status: Enrolled on 03/15/06

This bill prohibits an industrial loan company, chartered under the laws of another state, from establishing and maintaining an office in Virginia on the premises or property of an affiliate of such company if the affiliate engages in commercial activities.

.....  
**WISCONSIN**

Bill #: Senate Bill 584  
Bill Sponsor: Sen. Kathy Stepp  
Introduced: 02/08/06  
Status: Enrolled on 03/03/06

This bill defines "bank" to have the meaning given in 12 U.S.C. 1841(c). Sec 1841(c)(h) exempts industrial loan companies/banks from the definition of "bank."

This bill would also allow an out-of-state bank to establish a branch in the state without acquiring a WI bank so long as the following conditions are satisfied: 1) the laws of home state of the out-of-state bank allow the out-of-state bank to establish a branch in WI; 2) the laws of the home state are reciprocal to WI law; and 3) the out-of-state bank gives prior notice to the division.

**STATE LEGISLATION ALLOWING DE NOVO BRANCH BANKING**

**ALABAMA**

Bill #: House Bill 427/ Senate 333  
Bill Sponsor: Rep. Michael E. Hill/ Sen. Bobby E. Denton  
Introduced: 01/19/06 – 01/24/06  
Status: Referred to Committee on Banking and Insurance on 01/19/06- 01/31/06

This bill amends Alabama's banking statutes to allow for de novo interstate branching on a reciprocal basis. Specifically, the provision would allow an out-of-state bank to establish and maintain a de novo branch or a branch through acquisition of a branch if both of the following occur:

“(1) In the case of a de novo branch, the laws of the home state of the out-of-state bank permit Alabama banks to establish and maintain de novo branches in that state under substantially the same terms and conditions as herein set forth;

(2) In the case of a branch established through the acquisition of a branch, the laws of the home state of the out-of-state bank permit Alabama banks to establish and maintain branches in that state through the acquisition of branches under substantially the same terms and conditions as herein set forth.”

MISSISSIPPI

Bill #: House Bill 1046  
Bill Sponsor: Rep. Daniel Guice  
Introduced: 01/16/06  
Status: Died in Banking and Financial Services Committee on 02/28/06

This bill authorizes out-of-state banks to establish and maintain a branch in Mississippi through the acquisition of a branch bank or branch office or through the establishment of a branch bank de novo.

OKLAHOMA

Bill #: Senate Bill 1680  
Bill Sponsor: Sen. Ted V. Fisher  
Introduced: 02/06/2006  
Status: Referred to the House Banking and Finance Committee on 03/16/06

This bill creates the “Oklahoma Industrial Loan Company Branch Act of 2006.” This Act prohibits an out-of-state industrial loan company or industrial bank from establishing a de novo branch in Oklahoma or acquiring a branch bank or savings association branch in the state unless the ILC’s home state permits an Oklahoma chartered bank to establish a de novo industrial loan company or industrial bank branch in that home state on a reciprocal basis.

As used in the act, an "industrial loan company" or "industrial bank" means a company that is chartered by another state to make consumer loans or commercial loans or to accept deposits insured by the Federal Deposit Insurance Corporation but not to accept demand deposits and that is not subject to the Bank Holding Company Act of 1987 or to supervision by the Federal Reserve System.