

An Economic Analysis of Utah's Industrial Banks

Industrial banks have a significant economic presence in Utah, the nationwide center for this banking segment with a 110-year history. The state's current and former industrial banks pay above-average wages and make community investments. In 2019, current industrial banks' economic impacts included 6,468 in-state jobs in all major sectors, \$722.0 million in state GDP, and \$32.0 million in state and local tax revenue in Utah.

What Are Industrial Banks?

Also known as industrial loan companies, these state-chartered institutions provide a range of financial services to individuals and organizations, such as accepting deposits and making loans. While most bank charters in the U.S. limit bank ownership to financial institutions, nonfinancial companies can also own industrial banks, subject to federal and state laws and regulations. With either type of parent company, the Federal Deposit Insurance Corporation (FDIC) regulates industrial banks and insures their deposits. The staff at Utah's industrial banks serve local and distant customers from their headquarters, without branch offices.

Industrial Banking in Utah:

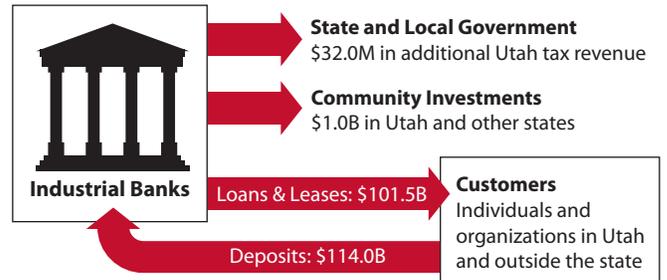
Utah's 14 industrial banks provided 1,824 in-state jobs in 2019, paying their employees an average of \$105,400. This compensation rate was 67.3% above the state's average for all industries. At year-end, Utah-chartered industrial banks held \$140.6 billion in assets, 93.5% of the U.S. total for industrial banks and 0.8% of the U.S. total for any type of FDIC-insured bank. During 2019, Utah industrial banks funded \$1.0 billion in loans, investments, and donations to support lower-income communities in Utah and other states, especially with affordable housing.

Utah's Five Largest Current and Former Industrial Banks

Current	Former
UBS Bank USA	Merrill Lynch
Sallie Mae Bank	American Express
Optum Bank	Morgan Stanley
BMW Bank of North America	GMAC Bank
Comenity Capital Bank	GE Capital Bank

Note: Banks with Utah headquarters ranked by December 31 total assets, as of 2019 for current industrial banks and as of the peak year from 2001 to 2019 for former industrial banks. Current banks not affiliated with former banks listed. GMAC Bank is now Ally Bank. Source: Utah Department of Financial Institutions

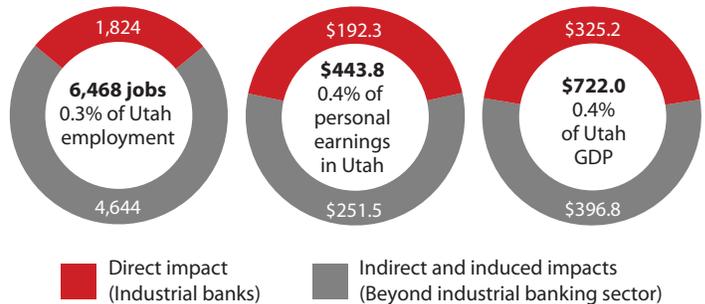
Industrial Banking and the Community, 2019



Note: Includes Utah's 14 industrial banks. Loans, leases, and deposits as of December 31. Community investments for the most recently reported year, 2015 to 2018, include loans, investments, donations, and grants, adjusted for inflation to 2019 dollars. Taxes paid by industrial banks and indirectly generated from their in-state economic impacts. Source: Kem C. Gardner Policy Institute analysis of data from the Federal Deposit Insurance Corporation and Utah Department of Workforces Services

Economic Impacts of Utah's Current Industrial Banks, 2019

(In-State Impacts; Millions of Dollars)



Note: Includes 14 current industrial banks (direct impacts calculated from bank-reported employment and pay) and industrial bank-generated effects at other Utah companies (indirect and induced impacts estimated by economic modeling). Employment measured as total full- and part-time jobs. Earnings consist of employee wages, salaries, benefits, and self-employment income. Shares equal total economic impacts from Utah industrial banks divided by total statewide employment, earnings, and GDP for all industries. Results based on industrial bank employment, wages, and salaries from the fourth quarter of 2018 and the first three quarters of 2019.

Source: Kem C. Gardner Policy Institute analysis of bank-reported data for in-state work sites from the Utah Department of Workforce Services using the REMI PI+ economic model

Prominent Banks that Began as Industrial Banks

Utah is home to 10 former industrial banks operating under commercial bank charters since they exited the industrial banking sector between 2004 and 2018. Their successor banks provided 1,332 Utah jobs in 2019. Total economic impacts of former industrial banks included 4,655 jobs and \$315.0 million in employee and self-employment earnings.

Study Genesis

The Utah Center for Financial Services at the University of Utah requested an analysis of industrial banks' significance in Utah's economy. The Center's interest coincided with several in-state industrial bank charter applications, which led to the March 2020 approval of the first new industrial banks in the U.S. in over a decade. This study is the first part of a larger research program by the Kem C. Gardner Policy Institute on Utah's financial services sector.

Economic Impacts

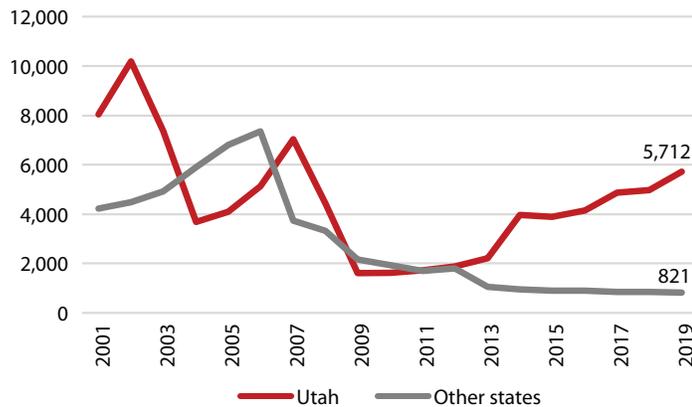
Industrial banks are embedded in Utah's economy, and their total economic impacts include direct, indirect, and induced effects. Direct effects are from industrial banks themselves, and indirect effects are from their in-state suppliers. Induced effects result from in-state personal spending by workers who earn income from industrial banks or their suppliers.

Research Methods

The Gardner Institute identified current and former industrial banks operating in Utah and other states since 2001. Researchers compiled and analyzed historical data on bank finances and activity reported by each industrial bank. They tailored the Gardner Institute's economic models to show how industrial banking affects other sectors statewide.

Industrial Bank Employment, 2001 to 2019

(Year-End Bankwide Jobs in the U.S. by Headquarters State)

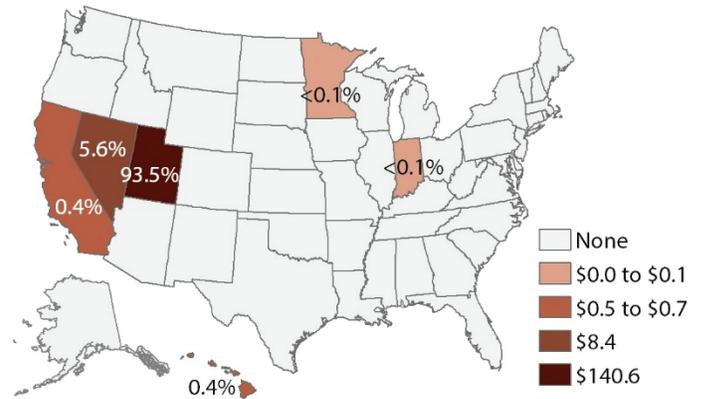


Note: Includes industrial banks banks, industrial loan companies, and similar financial institutions active as of December 31 of each year. Since these banks report bankwide employment, amounts are by chartering state, not workplace location. In 2019, one-third of Utah-chartered industrial bank jobs were in-state. Total full- and part-time jobs estimated from full-time-equivalent employee counts.

Source: Utah Department of Financial Institutions, Federal Deposit Insurance Corporation, and Federal Financial Institutions Examination Council

Industrial Bank Assets by State, 2019

(Share of U.S. Industrial Bank Total; Billions of Dollars)

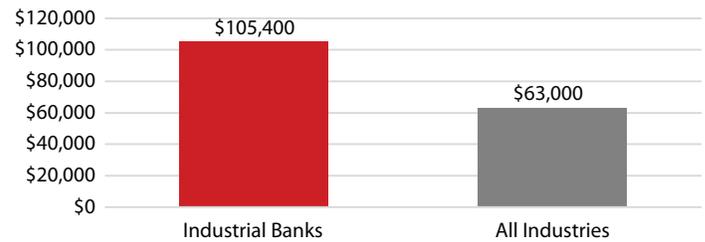


Note: December 31 total asset balances reported by headquarters state for industrial banks, industrial loan companies, and similar financial institutions

Source: Federal Financial Institutions Examination Council

Industrial Bank Compensation in Utah, 2019

(Annual Average per Employee)



Note: Compensation includes employee wages, salaries, and benefits.

Source: Utah Department of Workforce Services and U.S. Bureau of Economic Analysis

Fiscal Impacts of Utah's Industrial Banks, 2019

(Millions of Dollars)

Impact in Utah	State	Local	Total
Tax revenues	\$21.3	\$10.7	\$32.0
Government operating expenditures	\$8.9	\$2.1	\$11.0
Net state and local revenue	\$12.4	\$8.6	\$21.0

Note: Estimates based on the total direct, indirect, and induced economic impacts of 14 active industrial banks with Utah headquarters. Tax revenues include state and local sales tax, personal and corporate income tax, and local property tax. Government expenditures include state and local spending on public and higher education, as well as non-education expenditures.

Source: Kem C. Gardner Policy Institute

Utah Industrial Banks' Community Development Support

(Annual Amounts under the Community Reinvestment Act)

\$1,022.9 million

in investments and donations

6,583 hours

of employee volunteer service

Note: Includes 14 Utah-chartered industrial banks during the most recently reported year, 2015 to 2018. Amount in 2019 dollars combines donations and grants with new investments and loans.

Source: Federal Deposit Insurance Corporation.