

Speeches, Statements & Testimonies

Statement by FDIC Chairman Jelena McWilliams on Nelnet Bank

Last Updated: March 18, 2020

The FDIC is the primary federal regulator for industrial banks because they are state-chartered, non-member banks. Industrial banks are subject to the same regulation, supervision, examination, and enforcement as any other state non-member bank. The FDIC evaluates all applications for deposit insurance, including those for industrial banks, based on the same statutory factors in the Federal Deposit Insurance Act. It has been more than a decade since the FDIC has approved deposit insurance for an industrial bank or industrial loan company.

The first industrial bank deposit insurance application the Board is considering today is the application submitted by Nelnet, Inc., of Lincoln, Nebraska. The proposed bank, Nelnet Bank, would be wholly owned by Nelnet, Inc. and would be chartered by the Utah Department of Financial Institutions. The proposed bank would originate, refinance, and service private student loans and unsecured consumer loans nationwide. Establishment of the bank would enable the applicant and proposed parent company, Nelnet, Inc., to expand its education-oriented lending and offer additional consumer credit products and deposits.

FDIC staff found that Nelnet satisfied each of the statutory factors required for approval, subject to certain conditions. One of the conditions would require the proposed bank to maintain levels of capital that are significantly higher than typical FDIC-insured banks.

Additional conditions would require the bank, the bank's parent company (Nelnet, Inc.), and Nelnet's controlling shareholder to execute a Capital and Liquidity Maintenance Agreement (CALMA) and a Parent Company Agreement (PCA). These agreements contractually obligate the proposed bank's parent to serve as a source of financial strength for the bank and require the parent company to ensure that the bank maintains sufficient capital and liquidity and to inject capital or liquidity if the bank's capital or liquidity falls below a certain threshold. The PCA would require the bank's parent company to consent to examination, reporting, recordkeeping, and other provisions designed to provide safeguards to protect the bank and the Deposit Insurance Fund.

I support the approval of the Nelnet Bank application for deposit insurance.