



Before Banks Were Members

The year 2011 marks ELFA's 50th anniversary. Throughout the year, *ELT* will look back on the association's history and highlight key milestones and members who helped to shape the organization. For the second story in the series, we look back at the association's 1971 decision to accept banks as members.

On March 18, 1963, the Comptroller of the Currency announced a ruling that would have a substantial impact on the equipment finance industry: banks could begin leasing. Previously, banks were not allowed to own or lease personal property.

The Association of Equipment Lessors, as ELFA was known at the time, strongly objected to the ruling. In the days leading up to the decision, members of the association met with the Comptroller's chief counsel and staff to voice their opposition, to no avail. The ruling was a hot topic at the association's April 1963 annual meeting, as reflected in the minutes from that meeting:

"One of the serious new problems has been created by a recent ruling of the Comptroller of Currency, permitting national banks to purchase property for the purpose of simultaneous leasing," noted the minutes. "This ruling in effect permits banks to operate in many ways which are similar to the present operations of companies who are members of our association.... [Counsel Ellis] Lyons stated that it is difficult to justify this new role for banks and every effort will be expanded in the future to offset the far-reaching impact of this ruling."

A month later, in May 1963, the association's Board of Directors held a special meeting to discuss the Comptroller's decision. The Board developed a plan to urge members of Congress—in particular, members of the Senate and House banking and currency committees—to investigate the ruling.

Over the next year, the association continued to oppose the ruling. When a bill that would bar banks from entering the leasing field was introduced in the House, a member named Alvin Zises testified before Congress in support of the legislation.

The ruling stood firm, and banks began engaging in leasing. In 1970 banks gained stronger traction in the leasing industry when Congress amended the Bank Holding

Company Act. The amendment allowed banks to form holding companies and to participate in a number of activities in addition to lending, including equipment leasing. Banks had sought this change so they could compete on a level playing field and offer the same range of services, including leasing, that were offered by major finance companies.¹

A Turning Point

At its September 1969 meeting, the association's Board of Directors discussed at length the prospect of allowing national banks engaged in leasing to be eligible for membership, but deferred action until their next meeting. The Board discussed the topic again in November 1969 and April 1971, according to meeting records, but decided both times to defer action on the subject.

Then, on Oct. 31, 1971, the Board voted to amend the bylaws and make membership "open to any company, or division or subsidiary thereof, located in the United States or Canada, engaged to a substantial extent in the leasing of equipment to other commercial users, but companies which function or operate in the capacity of brokers and do not write their leases on their own forms are not eligible for membership."

With this change, banks were eligible for membership.


Ed Groobert, who was active in the affairs of the association since the mid-1960s and who attended his first ELFA Convention in 1971, recalls the vote was a significant milestone for the organization and the industry.

"Up to that point, the association was primarily composed of independent, smaller leasing companies and did not want banks to be members," says Groobert. "[Following the Board's decision] the association grew a great deal in the subsequent years. The industry was changing and banks were becoming more involved in the industry. It was a major turning point in the life of the association."

Today, it's hard to imagine a time when banks were not eligible for membership. Banks are a valued and integral member segment of ELFA and comprise about 16% of the membership. ■

1. Peter K. Nevitt and Frank Fabozzi, "History of Equipment Leasing," *Journal of Equipment Lease Financing* (Spring 1985).

Happy Anniversary, ELFA!

 **Join** your colleagues in celebrating the association's legacy and its future! To share your anniversary wishes and memories, and to view a list of industry milestones, go to www.elfaonline.org/ELFA50th/

Here is a sample of anniversary comments already submitted to the ELFA website:

"The equipment leasing and finance industry plays an important role in our nation's 'new economy.' The optimism and fresh thinking from one group (like ELFA) can easily spread to another."

- Brian Cox, VLV Vantage Point

"Congratulations ELFA! You've worn your years well. May the next 50 years bring forward new generations of leaders with the ELFA spirit to embrace and move the industry forward into new frontiers."

- Valerie Pfeiffer, The Tax Coefficient

"What a significant milestone 50 years is! I am proud to be part of this industry and our association. Thanks to all of the founders and volunteers who have devoted their time and energy."

- David T. Schaefer, Orion First Financial

"The collegiality, professionalism and resources of this remarkable association leave no doubt that the continuously improving return gained from participation in the ELFA's activities far exceeds any investment of time or resources by its members. Let's keep a good thing growing!"

- Bob Walton, Flamm Walton PC

"ELFA, previously known as ELA when I became active, may well be the most significant contributor to my personal business growth over the years. The more active I became in the association the more I learned about the many facets of the equipment leasing and finance industry. The friends I have made have become lifelong friends and I continue to meet and develop relationships to this very day. Happy anniversary, ELFA!"

- Bob Rinaldi, CSI Leasing, Inc.