



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, DC 20429-9990

Financial Institution Letter

FIL-50-2016

July 29, 2016

FDIC Seeking Comment on Proposed Guidance for Third-Party Lending

Distribution:

FDIC-Supervised Institutions

Suggested Routing:

Chief Executive Officer
Chief Credit Officer
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Related Topics:

[Guidance for Managing Third-Party Risk, FIL-44-2008](#)

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[Guidance on Third-Party Lending](#) - PDF
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Comment period extended to October 27, 2016 - see Press Release: [FDIC Extends Comment Period on Third-Party Lending Guidance](#)

Summary:

The FDIC is seeking comment on proposed Guidance for Third-Party Lending to set forth safety and soundness and consumer compliance measures FDIC-supervised institutions should follow when lending through a business relationship with a third party. The proposed guidance is intended to supplement the FDIC's existing Guidance for Managing Third-Party Risk, which is applicable to any of an institution's third-party arrangements, including lending through a third party.

Statement of Applicability to Institutions with Total Assets Under \$1 Billion:

This Financial Institution Letter applies to all FDIC-supervised institutions that engage in third-party lending.

Highlights:

- The proposed guidance defines third-party lending as an arrangement that relies on a third party to perform a significant aspect of the lending process. Categories include (but are not limited to): institutions originating loans **for third parties**; institutions originating loans **through third parties** or **jointly with third parties**; and institutions originating loans **using platforms developed by third parties**.
- An institution's board of directors and senior management are ultimately responsible for managing third-party lending arrangements as if the activity were handled within the institution. However, managing and controlling risks can be challenging when origination volumes are significant or there are numerous third-party relationships.
- The proposed guidance emphasizes that institutions should establish a third-party lending risk management program and compliance management system (CMS) that is commensurate with the significance, complexity, risk profile, transaction volume, and number of third-party lending relationships. Consistent with existing guidance, the risk management program and CMS should address risk assessment, due diligence and oversight, and contract structuring when selecting and managing individual third-party lending relationships.
- For institutions that engage in significant lending activities through third parties the proposal includes increased supervisory attention, including a 12-month examination cycle, concurrent risk management and consumer protection examinations, offsite monitoring, and possible review of third parties.
- Comments are sought on the entire proposed guidance with particular emphasis on those areas outlined in the introductory letter. Comments will be accepted until September 12, 2016. Comments should be sent to thirdparty lending@fdic.gov and will be posted on the FDIC's website at <https://www.fdic.gov/regulations/laws/publiccomments/>.

Continuation of [FIL-50-2016](#)