



# BULLETIN

## Colorado Division of Financial Services

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**Issued to: State-Chartered Credit Unions**

**Subject: Loans from Third Parties**

**Date Issued: July 31, 2007**

In recent months the Colorado Division of Financial Services has carefully watched the local and national issues brought about by the increasing use of third party vendors in originating loans for credit unions. We have seen that this activity, while completely legal, can pose significant safety and soundness risk to credit unions if it is not done in a manner consistent with published guidelines concerning due diligence, ongoing monitoring, and internal limitations established by the credit union's board as part of a comprehensive strategic plan.

Due to our responsibility to properly monitor the level of this activity in our state-chartered credit unions, we are requiring the following information be provided to the Division:

1. Description of each third-party indirect loan program the credit union is engaged in as of July 31, 2007, including:
  - a. Name of third-party
  - b. Type of program (mortgages, auto, participations (with/without recourse), etc.)
  - c. Date of inception
  - d. Amount of loans currently outstanding in each program
  - e. Planned maximum amount of loans the credit union will have in each program
  - f. If the credit union is no longer participating in a program, the date activity ceased
2. In the future, when the credit union is considering engaging in these activities, items in 1.a, b, c, and e should be provided to the Division no later than 30 days prior to first originations.

For purposes of this bulletin, third party lending activities include all activities where a party, other than the credit union, performs any pre-funding activities; including, but not limited to: accepting applications, soliciting loans, signing credit union membership applications, preparing application packages, conducting any portion of the underwriting function, assigning a rate to the loan, or pre-approving the loan in any fashion. It is our intent that any purchases of loan participations be included in the definition of "third party lending activities" for the purposes of this bulletin. Please note that during onsite examinations the Division will continue to review the adequacy of due diligence conducted prior to engaging in any of these activities as well as the appropriateness of the activities for your credit union.

Please provide the above requested information to the Division of Financial Services no later than **August 31, 2007**. If you have any questions, please call Dave Francis, Supervisory Examiner.