October 26, 2016

Sent Via Electronic Delivery: **thirdpartylending@fdic.gov**

Ms. Rae-Ann Miller, Association Director
Division of Risk Management Supervision
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

Re: FIL-50-2016, Comments on Proposed Guidance for Third-Party Lending

Dear Ms. Miller:

On behalf of the Oregon Bankers Association ("OBA") and our membership of Oregon's state and national banks, we appreciate the opportunity to comment on the above-referenced proposed guidance regarding third-party lending ("Guidance"). While OBA appreciates the work of the FDIC in providing Guidance to FDIC-regulated institutions regarding practices and risks associated with the use of third-party vendors, we would encourage the FDIC to consider the following when finalizing its proposed Guidance.

1. The Guidance Should Not Create Disincentives to the Use of Safe Third-Party Products

Third-party vendors provide the banking industry with innovative resources that assist in the delivery of safe, timely, and cost-effective lending products and services to their customers. Without the assistance offered by third-party vendors, banks could find themselves at a distinct disadvantage in the future.

The American Bankers Association *Fintech Playbook* noted that community banks could lose up to $15 billion of revenue to fintech companies, digital leaders, and other banks with digital platforms by 2020. That said, the *Fintech Playbook* also reported that for community banks adopting financial technologies, operating income could be $20 billion or 52 percent greater by 2020.

Without flexibility and clarity from the FDIC about the risks that are unique to these third-party lending relationships, the Guidance could result in banks abandoning the use of some third-party products and services. This could put banks at a considerable disadvantage in an already competitive market. It could also create challenges for banks with existing third-party relationships.

2. The Guidance Should Avoid the Unintended Consequence of Stifling Innovation

In addition to the impact that the Guidance could have on the banking industry's use of existing third-party products and services, some of our members expressed concern that the lack of flexibility and clarity in the Guidance could create disincentives to banks exploring and working with third-parties in the future. Not only could this negatively impact banks in an already highly competitive lending environment, but it could also create disincentives for those businesses looking to bring new, cutting-edge financial products to the market. If such a situation is created, it would be bank customers that would ultimately face less choice and higher prices.

3. Definitions Should Be Further Defined

Some of the definitions provided in the Guidance are very broad. For example, "third-party lending" is defined broadly and may include an arrangement that relies on a third-party to perform "a significant part of the lending process." Among other things a "significant part of the lending process", according to the Guidance, could include the following: "marketing; borrower solicitation; credit underwriting; loan pricing; loan origination; retail installment sales contract issuance; customer service; consumer disclosures; regulatory compliance; loan servicing; debt collection; and data collection, aggregation, or reporting." The FDIC should take into consideration the potential reach of its definitions in the Guidance and focus its efforts with an eye toward flexibility and avoiding a one-size-fits-all approach.

4. Clarity is Needed Regarding Possible Increased Supervision

Under the Guidance, it is unclear under what circumstances third-party relationships may give rise to a 12-month examination schedule when the bank may otherwise be subject to an 18-month schedule. For example, would a 12-month schedule apply to banks with significant third-party lending programs or to a financial institution with significant third-party lending relationships? Increased examination is likely to act as a disincentive to banks entering into otherwise safe third-party relationships with vendors. The Guidance should clarify these questions and work to limit the circumstances in which a bank would be subject to increased examination.

Conclusion

The FDIC should consider the impact that the Guidance will have on the banking industry and its use of third-parties in the lending space. Innovative programs assist banks to safely and cost-effectively deliver services to their customers. Constraining or otherwise creating disincentives for financial institutions to use third-party lending products will only serve to disadvantage the industry in an already challenging lending environment.

Thank you for the opportunity to comment on the Guidance. If you have any questions, please feel free to contact me.

Very best regards,

Kevin T. Christiansen
Government Affairs Director
Oregon Bankers Association & Independent Community Banks of Oregon