

FDIC Discusses Marketplace Lending

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The Federal Deposit Insurance Corporation discusses marketplace lending in its Winter 2015 issue of Supervisory Insights, offering guidance to participants in the bank partnership space. The FDIC walks through factors a bank should examine before entering into a partnership with a nonbank entity. Banks are directed to consider the partner's compliance with applicable federal law, consumer protection requirements, anti-money laundering rules and fair credit obligations, as well as applicable state laws such as licensing or registrations necessary to engage in the partnership. The FDIC also poses questions for the bank's consideration to determine whether the partnership will meet the FDIC's safety and soundness requirements:

- What duties does the bank rely on the marketplace lending company to perform?
- What are the direct and indirect costs associated with the program?
- Is the bank exposed to possible loss, and are there any protections provided to the bank by the marketplace lending company?
- What are the bank's rights to deny credit or limit loan sales to the marketplace lending company?
- How long will the bank hold the loan before sale?
- Who bears primary responsibility for consumer compliance requirements and how are efforts coordinated?
- Is all appropriate and required product-related information effectively and accurately communicated to consumers?
- What procedures are in place to prevent identity theft and satisfy other customer identification requirements?
- What other risks is the bank exposed to through the marketplace arrangement?

The FDIC notes that banks can manage the risks posed by potential partnerships through proper risk identification, appropriate risk-management practices, and effective oversight of the nonbank partner.

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