

Advisory

Loan Origination Staff with a Delegated Lending Authority – Credit Unions

Date: September 1, 2021
Distribution: CEOs/General Managers, CROs, CFOs, B.C. Credit Unions
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PURPOSE

Through BC Financial Service Authority's ("BCFSA") continuous monitoring process, it has been observed that many credit unions have a structure whereby their loan origination (sales) staff also possess a Delegated Lending Authority ("DLA") limit as part of their lending operations. This results in pressure on loan origination (sales) staff to approve a credit application and undermines credit risk management practices. Such a structure creates an inherent conflict of interest when the performance of a DLA holder is incentivized based on sale and growth targets.

In modern and effective risk management practices, credit unions are expected to establish sound controls to address potential conflicts of interest.

Consequently, next fiscal year, BCFSA will develop a Guideline outlining BCFSA's expectations on how credit unions should mitigate the conflict of interest when loan origination (sales) staff possess a DLA. As a first step, BCFSA will issue a draft Guideline for consultation with B.C. credit unions. When the Guideline is finalized, an implementation period will be announced to ensure credit unions have sufficient time to implement the new expectations.

BCFSA will continue to assess the extent to which this conflict of interest is prevalent and the impact of implementing mitigating controls.

ADDITIONAL INFORMATION

If you have any questions or concerns about this Advisory, please contact your BCFSA Relationship Manager or Chris Elgar at Chris.Elgar@bcfsa.ca.

Access this advisory on the [BCFSA website](#).