

LENDING ADVISORY #1 – 2009

October 2009

Lending Limits & Creditor Insurance

Creditor Insurance Premiums are not to be excluded from lending limits.

Background

In the past, the Financial Services Commission of Ontario (FSCO) permitted some loans to exceed lending license limits by the cost of creditor insurance premiums such as life or disability insurance protection. This practice has been discontinued under the new legislation and regulations that came into effect on October 1, 2009. Lending licenses have now been replaced by Lending Limits set out in Ontario Regulation 237/09 which are based on the credit union's assets and level of regulatory capital. These limits are substantially higher than earlier limits and are considered sufficient to include any amounts due from a borrower for creditor protection insurance premiums which are included in the amount of the loan.

Legislative References

As indicated in the subsection 59(4) of the Regulations, the total amount of all outstanding loans made by a credit union to a person and any connected persons only excludes the portion, if any, of a loan that,

- (a) is insured under the *National Housing Act* (Canada) or by an insurer licensed to undertake mortgage insurance;
- (b) is guaranteed by,
 - (i) a federal, provincial or territorial government of Canada,
 - (ii) an agent of a government described in subclause (i), or
 - (iii) the Corporation; or
- (c) is secured by deposits of the borrower with the credit union.

Please ensure that your credit union's lending policies and practices reflect these requirements and that all lending personnel are aware of these regulations.

If you have any questions, we ask that you please contact your Regional Manager at DICO.