STATE OF INDIANA DEPARTMENT OF FINANCIAL INSTITUTIONS

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Depository Division

Advisory Letter 2026-02
August 24, 2026

To:	**All State-Chartered Banks**
From:	**Christopher C. Dietz, Deputy Director – Depository Institutions**
Re:	**Additional Information Regarding Bankers Healthcare Group Loans and Legal Lending Lending Limit Applicability**

The Department is issuing this Advisory Opinion (02-2026) as an addition to DFI Opinion 01-2016. This advisory clarifies how Indiana's legal lending limit applies to loans purchased from Bankers Healthcare Group, LLC ("BHG"), in cases where the Department has deemed the transaction structure to remove seller control or recourse and otherwise aligns with prudent risk-management practices. This advisory is a companion to the Department's supervisory view in DFI Opinion 2016-01 and explains how the requirement to aggregate for legal lending limit changes when an institution's BHG loan-purchase program meets the criteria set forth.

In DFI Opinion 01-2016, the Department noted that, at that time, certain BHG loan sale programs included post-sale control or recourse-like features—for example, seller-led collection decisions; the seller's right and consistently displayed activity to substitute loans upon default; and the seller's ability to negotiate collection, workout and prepayment terms on behalf of the purchasing institution. Additionally, in 2016, the Department observed that, in many cases, the purchaser was not privy to the original loan note or the note interest rate paid by the borrower, and payments to the purchaser were pooled for all BHG loans and not ledgered to the purchasing institution by individual loan. The above features led the Department to conclude that BHG retained an interest and control after the "sale," and, therefore, loans obtained under such structures should be attributable to BHG for lending-limit purposes.

Adjustment to Conclusion When Seller Control Does Not Exist:
Since the original opinion in 2016, some of BHG's activities, agreements, and programs presented to the Department have evolved, and at times, the terms associated with some purchase loan transactions today differ from those in place when the 2016 DFI opinion was issued. As such, the Department will continue to evaluate the specifics of each loan purchase to determine what characteristics and contractual obligations are associated with each transaction.

If the Department concludes that the purchasing/participating institution independently confirms underwriting criteria and approves each loan using own-institution standards (which may include the use of a credit box for loan purchases); has documented ownership rights over or assignment of, and access to, the original loan note signed by the borrower; receives payments from BHG identified by individual loan; retains the primary decision rights over any loan substitution, workout, and collections; and there is no explicit or implied recourse to BHG or a lead/seller, the Department will not require aggregation to BHG for lending limit purposes. If all the criteria described above are met, the exposures are attributed to the named borrower(s) and aggregated at the borrower level under the statutory lending limit (with the combination rules applied if a direct benefit or common enterprise exists).

While not necessary to ensure lending limit compliance in the sample case, lending limit exclusion could be further strengthened in these products, or similar third-party facilitated lending relationships, when the bank has language in the specific loan-by-loan participation/sale agreement that indicates that it is participating/purchasing that specific loan and is not making a loan to the seller/originator.

Supervisory Considerations

While in certain instances purchased BHG loans may not be required to be aggregated for DFI lending limit purposes, the institution must still practice prudent risk management and control activities, such as setting Board-approved policy limits on purchased loans from one originator, understanding how the loan purpose/collateral position of purchased loan(s) fits within Board-defined loan policy limits, actively monitoring purchased loan portfolio performance, and individually evaluating and decisioning substitution and workout options when applicable.

To evidence the conclusions above during examinations and institute best practice risk management procedures, the Department would expect institutions to, at a minimum, maintain:

- Independent underwriting analysis and approval records for each purchased loan, consistent with institution policy.
- Concentration limits related to third-party loan purchases and sub-limits by third-party seller.
- True-sale and note-ownership documentation.
- Servicing and payment records clearly displaying funds received and applied per loan, not on a pooled basis.
- Workout/collection governance evidencing the institution's decision rights and reliance on the borrowers rather than on seller recourse.

Ongoing Review

The Department will continue to evaluate evolving third-party lending programs (including BHG offerings) and apply the above framework based on the individual facts and documentation presented. Institutions with legacy BHG holdings structured under prior recourse/retained-control models should maintain and execute prudent compliance plans to align with lending-limit thresholds described in DFI Opinion 01-2016; institutions that have transitioned to the criteria-conforming, no-recourse model as described above, when seller control does not exist, should document that transition and the supporting evidence described above.

If you have any questions regarding these restrictions or need clarification on the approved parties for information sharing, please contact Associate Deputy Director Kristy Orr or me.