



# Arkansas State Bank Department

Candace A. Franks  
Commissioner

Asa Hutchinson  
Governor

DATE: December 7, 2017  
TO: Chief Executive Officer of the Institution Addressed  
FROM: Candace A. Franks, Bank Commissioner  
SUBJECT: Amendment to State Bank Department Memorandum dated December 5, 2017 with reference to Legal Lending Limit on BHG, (or other) relationships

In reference to our earlier Memorandum and based upon further discussion, review and comment, I am revising our Memorandum dated December 5, 2017 and e-mailed to you on December 5, 2017. This Memorandum was in reference to loans or relationships acquired from Bankers Healthcare Group (BHG). Recognizing that there is a statutory conflict between the UCC and Arkansas Code § 23-47-501, regarding loans purchased and endorsed without recourse, the State Bank Department will take the position that those loans, not just consumer loans, but commercial loans that are sold and endorsed without recourse, will not count against a bank's legal loan limit which will align with the UCC provision. We will interpret § 23-47-501 of the Arkansas Banking Code in this manner with the intention that the conflict is remedied in our next regular session of the General Assembly in 2019. Please be aware of this change.

In addition, please remain aware that a bank which holds a large volume of BHG credits, or other similar categories or groups of loans, must consider the impact of a potential portfolio concentration. A concentration in the loan portfolio or in any asset category or liability category can potentially increase the risk profile for a depository institution. A bank which maintains any type of concentration must ensure that enhanced risk management procedures are employed in order to offset any additional risk associated with the concentration. Concentrations should be evaluated for economic vulnerabilities, risk management practices and management's strategic plans and directives regarding the activity. Concentrations will also be evaluated against asset quality, earnings or capital should an unforeseen negative, economic event affect an institution that maintains a significant asset or liability concentration.

If you have any questions or are in need of any assistance from this office please contact me, Susannah Marshall or John Ahlen.

Attached with the e-mail is the original Memorandum sent December 5, 2017, for reference purposes.