

**INTERPRETIVE LETTER 88-7 (DECEMBER 13, 1988)**

**National bank located in Illinois may establish loan production office.**

You have inquired whether a national bank located in Illinois may establish an off-site loan production office ("LPO") as a result of Public Act 85-1358 (House Bill 2794). This Act amended the definition of "branch" in Section 2 of the Illinois Banking Act ("the Act") as follows:

a "banking house", "branch", "branch bank" or "branch office" shall mean include any place of business of a bank ~~branch office~~ at which deposits are received, ~~or~~ checks paid, or loans made ~~any of a bank's other business is conducted~~ but shall not include any place at which only records thereof are made, posted or kept....

It is the position of this Agency that this amendment allows a bank to establish an off-site LPO provided its activities are limited to solicitation and origination of loans. Permissible activities for such loan production offices include: explaining credit product features and benefits; assisting in credit application preparation; and accepting credit applications for processing at the main banking office. As a result of the deletion of the phrase "any of the bank's other business," the location at which such activities are conducted would not be a branch under Section 2 of the Act. However, if the LPO in any way participates in the credit decision process by approving or denying credit, disbursing loan proceeds or accepting loan payments, it will be deemed to be a branch.

**[NOTE: This letter assumes that the LPO is not a separate corporate entity. A bank subsidiary may disburse loan proceeds and not be deemed to be a branch under Section 5(12)(c) of the Illinois Banking Act. See Interpretive Letter no. 89-2.]**