

**INTERPRETIVE LETTER 91-21 (SEPTEMBER 4, 1991)**

**Illinois state bank may establish an in-state loan production office without prior approval from Commissioner.**

During our telephone conversation of \*, you inquired about the establishment of "loan production offices" (hereafter "LPOs") by Illinois state-chartered banks. Specifically, you were interested in any statutory or regulatory requirements, limitations, etc. pertaining to LPOs.

LPOs are typically off-premises locations at which preliminary steps in the lending process are conducted. It is the position of this Office that Illinois state banks may establish LPOs provided that the "business" conducted at the LPOs is limited to solicitation and origination of loans. Permissible activities for such LPOs include: explaining credit product features and benefits; assisting in credit application preparation; and accepting credit applications for referral to and processing at the bank. Such an LPO would not fall within the definition of a "branch" and therefore would not be subject to branching restrictions (e.g., home office protection, numeric limitations, geographic limitations, etc.) unless any of the following banking functions were performed at the LPO location: approval or denial of credit applications; disbursement of loan proceeds; acceptance of loan payments; acceptance of deposits; or cashing of checks. Further, this Office does not require the filing of an application, notice, or fee by a state bank establishing an LPO.

The information above applies to an Illinois bank establishing an LPO in Illinois. If an out-of-state bank intends to establish an LPO in Illinois, that out-of-state bank may have to qualify under the Foreign Representative Office Act (Ill. Rev. Stat. 1989, ch. 17, par. 2851 et seq.). Such an out-of-state bank should contact the following:

\*[Manager of International Division]  
Illinois Commissioner of Banks and Trust Companies  
Suite 2130  
310 South Michigan Avenue  
Chicago, IL 60604  
(Telephone: 312/793-2043)

Finally, if an Illinois bank intends to establish an LPO across state lines, the Illinois bank should contact the banking regulatory agency in the particular state where the LPO would be located to find out what requirements, if any, apply.