

Arizona Department of Financial Institutions



SUBSTANTIVE POLICY STATEMENT

Section: Banks
Subject: Loan Production Offices

July 30, 2012
Policy Statement # BA-6

Arizona Revised Statutes § 6-101(3) defines a banking office as “any place of business of the bank at which deposits are received, checks are paid or money is loaned. . .” It is the last portion of this definition which pertains to loan production offices (LPO). The criteria detailed below have been adopted by the Federal Deposit Insurance Corporation and are consistent with recent interpretive rulings of the Office of the Comptroller of the Currency and the Board of Directors of the Federal Reserve System.

The following activities can be conducted at an LPO without constituting banking office operations for purposes of A.R.S. § 6-101(3).

1. **Loan Origination:** Credit information may be assembled and loan applications can be solicited or processed.
2. **Loan Approval:** Loan applications may be approved at the LPO facility in either a public or nonpublic area of the facility.
3. **Loan Closing Activities:** Loan closing activities, such as the execution of promissory notes and deeds of trust, may be conducted at an LPO facility. The customer may not, however, take actual receipt of the loan funds at the LPO facility. Loan proceeds may be received by the customer by mail or in person at a place that is not the bank’s headquarters office and is not licensed as a branch, provided that a third party is used to deliver the funds and the place is not established by the lending bank. A third party includes a person who customarily delivers loan proceeds directly from bank funds under accepted industry practice, such as an attorney or escrow agent at a real estate closing. Similarly, computer equipment located at the LPO through which the bank initiates electronic disbursements of loan funds to the customer will not cause the LPO facility to constitute a “branch” as long as the customer does not receive the loan funds at the facility.

Questions regarding this policy statement should be directed to our Financial Institutions Division at (602) 771-2800.

This Substantive Policy Statement supersedes our Policy Statement #BA-6 issued March 12, 1998.