

MEMORANDUM

Policy Memorandum 84 - 7
JULY 10, 1984

TO: Department Staff
FROM: John R. Paulus

SUBJECT: Loan Production Offices

California Law permits the establishment of two different entities, both of which are sometimes referred to as "Loan Production Offices".

I. An out-of-state or foreign bank may establish a "Representative Office" in California pursuant to Financial Code Section 1725. These offices typically perform the following activities:

- (a) Make contact with local industry to solicit loan applications.
- (b) Investigate local individuals, importers, exporters, industrial and financial companies where checkings, credit information and analyses are requested.
- (c) Deal with their local correspondents in solving operational problems.
- (d) Provide a flow of information on economic and business conditions in California.
- (e) Arrange for visitors from these banks or their customers to meet with local industry and finance.
- (f) Assist in arranging publicity through local media.

II. A California state-chartered bank may establish a "Place of Business" pursuant to Financial Code Section 542. These offices typically perform the following activities:

- (a) Directly solicit loan applications; prepare and process loan documents.
- (b) Conduct other banking related activities such as an escrow business or transmission of money abroad.
- (c) Do direct calling, direct mailing, advertising and other solicitation of business.
- (d) Serve as a center to distribute information about the bank, and to gather credit information on prospective customers.
- (e) Develop a public and community relations program.

III. Neither type of office listed above may accept deposits, approve loans, or cash checks. Nor may they:

- (a) Open deposit accounts, execute signature cards, accept check orders, issue temporary checks or bank by mail kits,
- (b) Issue cashiers checks or certificates of deposit,
- (c) Disburse loan proceeds or receive loan payments, or
- (d) Provide an on-location courier-operated depository.

IV. The department intends an early review of the limitations contained in III above. An argument may be made that only the limitations on accepting deposits should be retained inasmuch as the making of loans or cashing of checks are activities carried on by a wide range of business enterprises, many of whom are unsupervised in any fashion. What then can be the rationale for keeping a regulated institution from performing these services?