

CHAPTER 13-02-15 LOAN PRODUCTION OFFICES

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13-02-15-01. Definitions.

1. "Bank funds" means cash or any check whereby the drawer and drawee are the lending bank, including a cashier's check.
2. "Core banking activity" includes receiving deposits, paying checks, or lending money.
3. "Loan production office" means an office which is apart from the main bank, facility, or interstate branch, where loans are solicited but money is not lent.
4. "Money" is "lent" only when the borrower receives loan proceeds in person directly from bank funds either:
 - a. At the lending bank or its operating subsidiary; or
 - b. At a facility established by the lending bank or its operating subsidiary.
5. "Receipt of bank funds representing loan proceeds" does not include delivery of bank funds directly by a third party provided it does not occur at a place established by the bank or its operating subsidiary.
6. "Third party" is 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.

History: Effective May 1, 1993; amended effective July 1, 2009.

General Authority: NDCC 6-01-04, 6-03-02

Law Implemented: NDCC 6-03-38

13-02-15-02. Authorization of loan production offices. The commissioner may authorize the establishment of intrastate and interstate loan production offices by North Dakota state-chartered banks. In determining whether to approve the application for a loan production office, the commissioner shall take into consideration the following:

1. Whether the applicant bank is at least adequately capitalized per the most recently filed report of condition and income;
2. The volume of loans that applicant anticipates generating;
3. The information provided pursuant to section 13-02-15-04; and
4. Any other information the commissioner deems appropriate.

If an application for the establishment of a loan production office is denied by the commissioner, the applicant bank may appeal the decision of the commissioner to the state banking board.

History: Effective May 1, 1993; amended effective July 1, 2009.

General Authority: NDCC 6-01-04, 6-03-02

Law Implemented: NDCC 6-03-38

13-02-15-03. Limitation. Loan production offices may not be established when the establishment of such offices would impair the applicant bank's capital structure. There are no population or geographic restrictions applied to such offices in the state of North Dakota. This chapter does not prohibit the establishment of a loan production office in North Dakota by banks located in other states provided the other state allows a North Dakota state-chartered bank to establish a loan production office in the other state.

History: Effective May 1, 1993; amended effective July 1, 2009.

General Authority: NDCC 6-01-04, 6-03-02

Law Implemented: NDCC 6-03-38

13-02-15-04. Permissible activities. Loan production offices are limited to the following activities:

1. Soliciting loans on behalf of a bank.
2. Assembling credit information.
3. Conducting property inspections and appraisals.
4. Securing title information.
5. Preparing applications for loans, including making credit decisions provided money is not lent at the loan production office.
6. Any other activity which does not constitute a core banking activity as determined by the state banking board.

History: Effective May 1, 1993; amended effective July 1, 2009.

General Authority: NDCC 6-01-04, 6-03-02

Law Implemented: NDCC 6-03-38

13-02-15-05. Loan production office application. A loan production office may not be established, or operated, by a state-chartered bank until after the bank has submitted a written application to the commissioner or board and received a certificate of authority to operate such office. The application must describe with regard to the loan production office the following:

1. The location.
2. A general description of the area where located, e.g., shopping center, supermarket, department store, etc.
3. The proposed activity for the location.
4. Whether the location will be staffed, and if so, the nature of employee compensation, whether an employee of the bank or a fee and commission basis.
5. Description as to the types of loans to be solicited.
6. Any other information the commissioner determines necessary.

History: Effective May 1, 1993.

General Authority: NDCC 6-01-04, 6-03-02

Law Implemented: NDCC 6-03-38

13-02-15-06. Revocation of certificate of authority. The commissioner may revoke the certificate of authority for a loan production office where it has been determined a loan production office has engaged in any activity not specifically provided for in section 13-02-15-04.

History: Effective May 1, 1993; amended effective July 1, 2009.

General Authority: NDCC 6-01-04, 6-03-02

Law Implemented: NDCC 6-03-38

13-02-15-07. Appeal. A bank whose certificate of authority has been revoked may appeal the commissioner's decision for consideration of the board if the appeal is filed within fifteen days after receipt of notice of certificate revocation. Consideration of the board must occur within sixty days after the date the appeal is filed.

History: Effective May 1, 1993.

General Authority: NDCC 6-01-04, 6-03-02

Law Implemented: NDCC 6-03-38