

## GUIDANCE DOCUMENT

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## STATEMENT OF POLICY #2

### LOAN PRODUCTION OFFICES IN NEBRASKA

The Nebraska Department of Banking and Finance (“Department”) sets forth Statement of Policy #2 regarding the operation of a loan production office (“LPO”) in Nebraska. Statement of Policy #2 is organized alphabetically, by areas of LPO interest. All statutory citations are to the Nebraska Banking Act.

#### LPO Areas of Interest

Automated Teller Machines (“ATM”): A LPO may have an ATM or cash dispensing machine or Remote Service Unit (“RSU”) on site. ATMs or RSUs may be established and maintained only by a financial institution which has a charter or an approved branch in Nebraska, a National charter, or an ATM can be established and maintained by a group of two or more financial institutions, or by a combination of financial institution or institutions and a third party (see Neb. Rev. Stat. § 8-157.01).

Deposit transactions and loan payments may be made through such a machine, or by United States mail. LPO employees cannot mail deposits or loan payments for a customer, nor may employees assist a customer with an ATM or RSU transaction (see Deposits).

Bank Services: A LPO employee can provide brochures on bank services and rates. These services may include information on the bank’s trust services, letters of credit, and similar items.

Cash Management: Traditionally, cash management services have included the cash collections and disbursements for a business firm, in conjunction with the short term investing of surplus cash into an interest bearing securities account. An employee of the LPO cannot receive cash for deposits, nor can a LPO employee make cash disbursements, or assist in the electronic debiting of customers’ accounts. A LPO employee can inform customers of bank services, including merchant processing services (see Bank Services).

Cashing Checks: The LPO can cash checks drawn on entities other than the institution operating the LPO.

Commercial Loans: When making commercial loans, the LPO must comply with restrictions listed in Loans below.

Currency Exchange: A LPO can exchange currency for coin and vice/versa. The exchanged currency can be American or foreign.

Deposits: Deposits, in any form, may be made through an on-site ATM or RSU. Credit for a deposit must be given directly to the customer's account.

The LPO employee may not accept, transmit, or carry deposits to the bank from the LPO or any other location. The LPO may not provide information about a customer's deposit account. Information about a specific deposit account may be provided through an on-site ATM or RSU only; however, again note that LPO employees are not allowed to assist individuals with ATM or RSU transactions. LPO employees may service the ATM or RSU, including couriating deposits and loan payments made through the ATM or RSU to the main office or an approved branch.

The LPO may distribute and receive deposit account applications, certificate of deposit applications, and signature agreements, but it cannot take any funds, of any nature, for deposit in a new account or existing account. LPO staff may direct a customer requesting to open a deposit account to a staffed or unstaffed customer service desk or kiosk within the LPO to call the main office or an approved branch to establish an account.

Funds transfers to or from deposit accounts may be initiated only through the on-site ATM or RSU. LPO personnel may not transfer available funds from a master operating note to the customer's checking or other deposit accounts. While deposits and loan payments must be made either through the ATM or RSU or by mail, the LPO may not mail the item for the customer. The bank may provide a stamped, self-addressed envelope to the customer. Customers may apply for ATM or RSU cards and order checks at the LPO.

Deposit Production Office: The Department has received various inquiries regarding use of the terminology "deposit production office" ("DPO"). The Department is not opposed to the use of "DPO" to describe some of the activities conducted at a LPO. All requirements and restrictions applicable to a LPO designation/signage location apply equally to an office designated as a DPO. The bank may not imply, in any way, that deposits are accepted at a LPO or DPO.

Drop Box: A LPO may have a drop box on site. The drop box can not be serviced by LPO staff. Customers of the box should be told that deposited funds are not insured until the bank issues a receipt for the funds. The LPO should ensure the drop box has adequate security features.

Foreign Drafts: See Money Orders.

International Banking: See Bank Services.

Investments: LPO staff may direct a customer requesting assistance with investments to an investment representative, customer service desk, or kiosk in the LPO. It is understood that the investment representative is soliciting securities sales and providing investment advice.

Letters of Credits: See Bank Services and Loans.

Loans: The bank may originate loans at the LPO. Origination includes soliciting loan business, providing information on loan rates and terms, interviewing and counseling applicants regarding loans, aiding customers in completion of loan applications, making credit checks, and receiving and reviewing loan applications.

Under Neb. Rev. Stat. § 8-157(7) state-chartered banks located in Nebraska may close loans at LPOs. Notes and security agreements may be drafted and closed at the LPO provided that these and any other required documents are approved by an executive officer licensed pursuant to Neb. Rev. Stat. § 8-139 prior to loan closing. The LPO may call up, print, and provide loan status information through the LPO's computer connection with the main bank.

A LPO may receive a check payment on a bank loan and may convert that payment to an electronic image and forward such images to the bank for processing.

An out-of-state LPO may not close loans at the location of the LPO (see Neb. Rev. Stat. § 8-157(7)).

Merchant Processing: See Bank Services and Cash Management.

Mobile Device Application: A LPO employee can give a customer brochures or other information that describes how the bank's electronic banking/mobile application device(s) work. A LPO employee cannot set up or otherwise establish a mobile device application for a bank customer.

Money Orders: Money orders can be sold at a LPO. However, customers who purchase money orders or foreign drafts may not make their purchase using a Bank depository account.

Notification: Bank must notify the Department of its intention to open a LPO. It is recommended that Bank use the Interagency LPO Notice form found on the Department's website at <http://www.ndbf.ne.gov>.

Out-of-State Bank: The Department would not object to an out-of-state bank locating an LPO in Nebraska if the out-of-state bank's regulator approves and if the LPO otherwise complies with requirements of Nebraska state branching laws. The out-of-state bank should contact the Nebraska Secretary of State at (402) 471-2554 and the Nebraska Department of Revenue (402) 471-2974, to determine if they have any requirements for an out-of-state bank's LPO.

An out-of-state bank, that does not have a branch office location in Nebraska, may not close loans at a LPO in Nebraska, unless its home state regulator permits such activity.

See also ATM and Loans.

Personal Loans: When making personal loans, the LPO must comply with restrictions listed in Loans above.

Remote Service Unit ("RSU"): An automated facility operated by a customer of a bank, that conducts banking functions such as receiving deposits, paying withdrawals, or lending money.

Signage/Advertising: All advertising must clearly designate the facility as a LPO. In order to clearly designate the facility as a LPO, the words "loan production office" must appear on all signage and all forms of advertising. The words "loan production office" must be completely spelled out; i.e., the abbreviation "LPO" is unacceptable. The words "loan production office" must, at a minimum, be as large as any other words on the signage or advertising. The name of the affiliated bank must be included in all advertising.

Trust Services: LPO staff may direct a customer requesting trust services to a trust office representative, trust service desk, or kiosk in the LPO. Bank, depending on the activities conducted at the proposed location, may be operating a representative trust office or branch trust office for which the appropriate regulatory approval/charter needs to be obtained.

Wire Transfer: A wire transfer can be originated at a LPO kiosk or at a telephone at the LPO. LPO personnel can not assist a customer with wire transfer instructions or transfer.

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