

SECTION 109 HOST STATE LOAN-TO-DEPOSIT RATIOS

The Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency (the agencies) today are making public the host state loan-to-deposit ratios¹ that the agencies will use to determine compliance with section 109 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (Interstate Act). In general, section 109 prohibits a bank from establishing or acquiring a branch or branches outside of its home state primarily for the purpose of deposit production. Section 106 of the Gramm-Leach-Bliley Act of 1999 (GLB Act) amended coverage of section 109 of the Interstate Act to include any branch of a bank controlled by an out-of-state bank holding company.²

To determine compliance with section 109, the appropriate agency first compares a bank's statewide loan-to-deposit ratio³ to the host state loan-to-deposit ratio for a particular state. If the bank's statewide loan-to-deposit ratio is at least one-half of the published host state loan-to-deposit ratio, the bank has complied with section 109. A second step is conducted if a bank's statewide loan-to-deposit ratio is less than one-half of the published ratio for that state or if data

¹ The host state loan-to-deposit ratio is the ratio of total loans in a state to total deposits from the state for all banks that have that state as their home state. For state-chartered banks and FDIC-supervised savings banks, the home state is the state where the bank was chartered. For national banks, the home state is the state where the bank's main office is located. The home state of a foreign bank is determined by 12 USC 3103(c) and applicable agency regulations at 12 CFR 28.11(o) (OCC), 12 CFR 211.22 (Board), and 12 CFR 346.1(j) (FDIC).

² On June 6, 2002, the agencies jointly published in the *Federal Register* a final rule to amend the uniform regulations implementing section 109 of the Interstate Act to conform to the requirements of section 106 of the GLB Act. Prohibition Against Use of Interstate Branches Primarily for Deposit Production, 67 Fed. Reg. 38844 (2002) (to be codified at 12 CFR Part 25, 12 CFR Part 208, and 12 CFR Part 369) (final rule June 6, 2002). The final rule amends the regulatory prohibition against using interstate branches as deposit production offices to include any bank or branch of a bank controlled by an out-of-state bank holding company, including a bank consisting only of a main office. This rulemaking does not affect the calculation of the host state loan-to-deposit ratios.

³ The statewide loan-to-deposit ratio relates to an individual bank and is the ratio of a bank's loans to its deposits in a particular state where the bank has interstate branches.

are not available at the bank to conduct the first step. The second step requires the appropriate banking agency to determine whether the bank is reasonably helping to meet the credit needs of the communities served by the bank's interstate branches. A bank that fails both steps is in violation of section 109 and subject to sanctions by the appropriate agency.

The agencies will update the host state loan-to-deposit ratios on an annual basis.

Section 109 of the Interstate Banking and
Branching Efficiency Act

2002 Host State Loan-to-Deposit Ratios

Using Data as of June 30, 2001

(Excludes wholesale or limited purpose CRA-designated
banks, credit card banks, and special purpose banks)

State or U.S. Territory	Host State Loan-to-Deposit Ratio
Alabama	93%
Alaska	74%
Arizona	58%
Arkansas	78%
California	92%
Colorado	80%
Connecticut	82%
Delaware	80%
District of Columbia	90%
Florida	81%
Georgia	89%
Hawaii	91%
Idaho	77%
Illinois	90%
Indiana	119%
Iowa	80%
Kansas	80%
Kentucky	88%
Louisiana	76%
Maine	92%
Maryland	84%
Massachusetts	83%
Michigan	103%
Minnesota	105%

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2002 Host State Loan-to-Deposit Ratios

Using Data as of June 30, 2001

(Excludes wholesale or limited purpose CRA-designated
banks, credit card banks, and special purpose banks)

State or U.S. Territory	Host State Loan-to-Deposit Ratio
Mississippi	79%
Missouri	82%
Montana	81%
Nebraska	85%
Nevada	75%
New Hampshire	78%
New Jersey	70%
New Mexico	64%
New York	90%
North Carolina	91%
North Dakota	105%
Ohio	114%
Oklahoma	78%
Oregon	85%
Pennsylvania	79%
Rhode Island	77%
South Carolina	84%
South Dakota	130%
Tennessee	89%
Texas	66%
Utah	92%
Vermont	88%
Virginia	76%
Washington	114%
West Virginia	81%

Section 109 of the Interstate Banking and Branching Efficiency Act	
2002 Host State Loan-to-Deposit Ratios Using Data as of June 30, 2001 (Excludes wholesale or limited purpose CRA-designated banks, credit card banks, and special purpose banks)	
State or U.S. Territory	Host State Loan-to- Deposit Ratio
Wisconsin	99%
Wyoming	84%
American Samoa	79%
Federated States of Micronesia	75%
Guam	69%
Puerto Rico	65%
Virgin Islands	70%

Due to the legislative intent against imposing regulatory burden, no additional data were collected from institutions to implement section 109. However, since insufficient lending data were available on a geographic basis to calculate the host state loan-to-deposit ratios directly, the agencies used a proxy to estimate the ratios. Accordingly, the agencies calculated the host state loan-to-deposit ratios using data obtained from the call reports and summary of deposits reports, as of June 30, 2001. For each home state bank, the agencies calculated the percentage of the bank's total deposits attributable to branches located in its home state (determined from the summary of deposits), and applied this percentage to the bank's total domestic loans (determined from the call reports) to estimate the amount of loans attributable to the home state. The host state loan-to-deposit ratio was then calculated by separately totaling the loans and deposits for the home state banks, and then dividing the sum of the loans by the sum of the deposits.

Section 109 of the Interstate Act directs the agencies to determine, from relevant sources, the host state loan-to-deposit ratios. As discussed in the preamble to the joint final rule, Prohibition Against Use of Interstate Branches Primarily for Deposit Production (62 FR 47728, 47731, September 10, 1997), implementing section 109, banks designated as limited purpose or wholesale banks under the Community Reinvestment Act (CRA) were excluded from the host state loan-to-deposit calculation, recognizing that these banks could have very large loan portfolios, but few, if any, deposits. Likewise, credit card banks, which typically have large loan portfolios but few deposits, were also excluded, regardless of whether they had a limited purpose designation for CRA purposes. Beginning in 2001, special purpose banks, including bankers' banks, were excluded because these banks do not engage in traditional deposit taking or lending.

The host state loan-to-deposit ratios, and any changes in the way the ratios are calculated, will be publicized on an annual basis.