PRESS RELEASE
Federal Deposit Insurance Corporation ● Each Depositor insured to at least $250,000

Media Contact:
Robert M. Garsson (202-898-6993)

August 26, 1997

# FDIC ADOPTS FINAL RULE PROHIBITING USE OF INTERSTATE BRANCHES PRIMARILY FOR DEPOSIT-GATHERING

FOR IMMEDIATE RELEASE

The FDIC Board of Directors today approved a final rule intended to ensure that, under a 1994 law, banks opening out-of-state branches will help meet the credit needs of the communities served by those offices.

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 law generally authorizes U.S. and foreign banks to open or acquire interstate offices beginning June 1, 1997. At issue is a provision of the law prohibiting such branches if their primary purpose would be "deposit production," rather than serving the credit needs of a community.

The FDIC rule implements the prohibition on deposit-production offices for FDIC-supervised banks and provides guidelines to ensure that interstate offices are making reasonable efforts to help meet community credit needs. The same rule also is being adopted by the Federal Reserve Board and the Office of the Comptroller of the Currency for the banks they supervise. Under the rule, one year or more after a bank establishes an interstate branch under the Riegle-Neal law the appropriate federal regulator will determine the bank's total loan-to-deposit ratio for all branches it opened in that state under that same law. If the ratio is less than 50 percent of the average loan-to-deposit ratio for all banks headquartered in that state, the regulator will determine if the branches are making reasonable efforts to meet the credit needs of the communities served in that state. If the bank's performance is below the loan-to-deposit requirement and the regulator finds that the bank is not reasonably helping to meet its communities' credit needs, the agency may impose sanctions. The agency may close the bank's branches in that state and may not allow it to open new branches unless assurances are made by the bank that it will help to meet those credit needs.

Consistent with the language and intent of the 1994 law, a bank will not have to report additional data or generally have to produce data for the agency.

The final rule is substantially the same as a proposed rule issued for public comment in March.

Last Updated 07/14/1999