

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 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.

To determine compliance with section 109, the appropriate agency first compares a banks statewide loan-to-deposit ratio² to the host state loan-to-deposit ratio for a particular state. If the banks 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 banks statewide loan-to-deposit ratio is less than one-half of the published ratio for that state or if data 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 banks interstate branches. A bank that fails both steps is in violation of section 109 and subject to sanctions by the appropriate agency.

**Section 109 of the Interstate Banking and Branching Efficiency Act 2004
Host State Loan-to-Deposit Ratios Using Data as of June 30, 2003
(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	96%
Alaska	64%
Arizona	63%
Arkansas	77%
California	105%
Colorado	72%
Connecticut	82%
Delaware	85%
District of Columbia	83%
Florida	81%
Georgia	102%
Hawaii	72%
Idaho	81%
Illinois	80%
Indiana	163%
Iowa	71%
Kansas	79%
Kentucky	87%
Louisiana	75%
Maine	95%

Maryland	81%
Massachusetts	72%
Michigan	101%
Minnesota	89%
Mississippi	77%
Missouri	83%
Montana	81%
Nebraska	81%
Nevada	71%
New Hampshire	76%
New Jersey	58%
New Mexico	69%
New York	86%
North Carolina	82%
North Dakota	107%
Ohio	119%
Oklahoma	80%
Oregon	88%
Pennsylvania	69%
Rhode Island	80%
South Carolina	89%
South Dakota	120%
Tennessee	91%
Texas	68%
Utah	92%
Vermont	77%
Virginia	71%
Washington	105%
West Virginia	77%
Wisconsin	95%
Wyoming	65%
American Samoa	85%
Federated States of Micronesia	22%
Guam	64%
Puerto Rico	66%
Virgin Islands	54%

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, 2003. For each home state bank, the agencies calculated the percentage of the banks total deposits attributable to branches located in its home state (determined from the summary of deposits), and applied this percentage to the banks 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.

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 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.