

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). Section 109 of the Interstate Act prohibits a bank from establishing or acquiring a branch or branches outside of its home state primarily for the purpose of deposit production. Effective March 11, 2000, Title I of the Gramm-Leach-Bliley Act expanded the coverage of Section 109 to include any branch of a bank controlled by an out-of-state bank holding company.

Section 109 provides a process to test compliance with the statutory requirements. The first step involves a loan-to-deposit ratio screen that compares a bank’s statewide loan-to-deposit ratio² 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 for that state, 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 are not available at the bank to conduct the first step. The second step requires the banking agencies to determine if 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 agencies.

The agencies will update the host state loan-to-deposit ratios 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.

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.

Section 109 of the Interstate Banking and
Branching Efficiency Act

Host State Loan-to-Deposit Ratios

As of June 30, 1999

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

State	Host State Loan-to-Deposit Ratio
Alabama	97%
Alaska	74%
Arizona	95%
Arkansas	71%
California	88%
Colorado	62%
Connecticut	84%
Delaware	72%
District of Columbia	77%
Florida	86%
Georgia	101%
Hawaii	102%
Idaho	75%
Illinois	94%
Indiana	92%
Iowa	76%
Kansas	73%
Kentucky	93%
Louisiana	77%
Maine	92%
Maryland	86%
Massachusetts	82%
Michigan	100%
Minnesota	100%

Section 109 of the Interstate Banking and
Branching Efficiency Act

Host State Loan-to-Deposit Ratios

As of June 30, 1999

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

State	Host State Loan-to-Deposit Ratio
Mississippi	78%
Missouri	82%
Montana	81%
Nebraska	80%
Nevada	75%
New Hampshire	80%
New Jersey	73%
New Mexico	67%
New York	96%
North Carolina	103%
North Dakota	96%
Ohio	114%
Oklahoma	71%
Oregon	78%
Pennsylvania	98%
Rhode Island	74%
South Carolina	83%
South Dakota	102%
Tennessee	89%
Texas	69%
Utah	104%
Vermont	84%
Virginia	84%
Washington	115%
West Virginia	83%

Section 109 of the Interstate Banking and Branching Efficiency Act	
Host State Loan-to-Deposit Ratios As of June 30, 1999 (Excludes wholesale or limited purpose CRA-designated banks and credit card banks.)	
State	Host State Loan-to- Deposit Ratio
Wisconsin	93%
Wyoming	99%
American Samoa	84%
Federated States of Micronesia	67%
Guam	81%
Puerto Rico	93%
Virgin Islands	74%

Due to the legislative intent against imposing regulatory burden, no additional data were collected from the 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, 1999. 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 Report) 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. 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. Credit card banks, which typically have large loan portfolios but few

deposits, were also excluded, regardless of whether they had a limited purpose CRA-designation.

The host state loan-to-deposit ratios, and any changes in the way the ratio is calculated, will be made publicly available on an annual basis.