



FEDERAL RESERVE BANK  
OF DALLAS

DALLAS, TEXAS  
75265-5906

July 16, 2001

**Notice 01-53**

**TO:** The Chief Executive Officer of each  
state bank and bank holding company  
in the Eleventh Federal Reserve District

**SUBJECT**

**Host State Loan-to-Deposit Ratios**

**DETAILS**

The Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency have issued the host state loan-to-deposit ratios that will be used to determine compliance with section 109 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994. These ratios update data released March 23, 2000 (*see this Bank's Notice 2000-25*).

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. As further discussed in the attachment, section 109 also prohibits branches of banks controlled by out-of-state bank holding companies from operating primarily for the purpose of deposit production.

Section 109 provides a process to test compliance with the statutory requirements. The first step in the process involves a loan-to-deposit ratio screen that compares a bank's statewide loan-to-deposit ratio to the host state loan-to-deposit ratio for banks in a particular state. 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 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 is subject to sanctions by the appropriate banking agency.

**ATTACHMENT**

A copy of the host state loan-to-deposit ratios is attached.

**MORE INFORMATION**

For more information, please contact Eugene Coy, Banking Supervision Department, at (214) 922-6201. For additional copies of this Bank's notice, contact the Public Affairs Department at (214) 922-5254 or access District Notices on our web site at <http://www.dallasfed.org/banking/notices/index.html>.

## 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 ratios<sup>1</sup> 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.<sup>2</sup>

To determine compliance with section 109, the appropriate agency compares a bank's statewide loan-to-deposit ratio<sup>3</sup> 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

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<sup>1</sup> 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).

<sup>2</sup> On April 9, 2001, the agencies jointly published in the *Federal Register* a proposal 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, 66 Fed. Reg. 18411 (2001) (to be codified at 12 CFR Part 25, 12 CFR Part 208, and 12 CFR Part 369) (proposed Apr. 9, 2001). The proposal would amend the regulatory prohibition against branches being used 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 proposed rulemaking would not affect the calculation of the host state loan-to-deposit ratios.

<sup>3</sup> 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

2001 Host State Loan-to-Deposit Ratios

Using Data as of June 30, 2000

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

<b>State or U.S. Territory</b>	<b>Host State Loan-to-Deposit Ratio</b>
Alabama	98%
Alaska	78%
Arizona	83%
Arkansas	76%
California	91%
Colorado	75%
Connecticut	84%
Delaware	80%
District of Columbia	80%
Florida	82%
Georgia	96%
Hawaii	102%
Idaho	82%
Illinois	107%
Indiana	106%
Iowa	82%
Kansas	78%
Kentucky	96%
Louisiana	82%
Maine	97%
Maryland	90%
Massachusetts	85%
Michigan	108%
Minnesota	108%

Section 109 of the Interstate Banking and  
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2001 Host State Loan-to-Deposit Ratios

Using Data as of June 30, 2000

(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	81%
Missouri	88%
Montana	83%
Nebraska	85%
Nevada	69%
New Hampshire	81%
New Jersey	78%
New Mexico	73%
New York	108%
North Carolina	103%
North Dakota	102%
Ohio	123%
Oklahoma	77%
Oregon	86%
Pennsylvania	95%
Rhode Island	91%
South Carolina	89%
South Dakota	120%
Tennessee	91%
Texas	74%
Utah	94%
Vermont	91%
Virginia	80%
Washington	119%
West Virginia	89%

Section 109 of the Interstate Banking and Branching Efficiency Act	
2001 Host State Loan-to-Deposit Ratios Using Data as of June 30, 2000 (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	100%
Wyoming	56%
American Samoa	79%
Federated States of Micronesia	72%
Guam	82%
Puerto Rico	100%
Virgin Islands	78%

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, 2000. 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.

As outlined in the preamble to the final rule, the agencies committed to publicize any change in the way the ratios are calculated. Accordingly, the agencies have also decided to exclude special purpose banks, including bankers' banks, from the host state loan-to-deposit calculation because these banks do not engage in traditional deposit taking or lending. Inclusion of these banks could distort the ratios, thus hindering their use in carrying out the intent of the legislation. This change is reflected in the 2001 ratios.

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