



OCC 2001-29

**Subject: Prohibition Against Interstate Deposit  
Production  
Date: June 28, 2001**

**To: Chief Executive Officers and Compliance  
Officers of All National Banks, Department and  
Division Heads, and All Examining Personnel**

**Description: Annual Loan-to-Deposit Ratios**

Any attachments to this document are rescinded only as they relate to national banks and federal savings associations.

attached.

In general, section 109 prohibits any 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>1</sup>

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 in a state is less than one-half of the published host state loan-to-deposit 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. A bank that fails both steps is in violation of section 109 and is subject to sanctions by the banking agency.

Due to the legislative intent against imposing regulatory burden, no additional data were collected from the institutions to implement section 109. Therefore, since insufficient lending data were available on a geographic basis to calculate the statewide ratios directly, the agencies used a proxy to estimate the host state loan-to-deposit ratios. The agencies calculated the host state loan-to-deposit ratios using data obtained from the *Call Reports* and the *Summary of Deposits Reports*, as of June 30, 2000, which were the most recently available data. 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 Reports*), 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.

Banks designated as limited purpose or wholesale under the Community Reinvestment Act (CRA) and credit card banks (regardless of any CRA limited purpose designation) 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. In addition, beginning in 2001, special purpose banks, including bankers' banks, were also excluded from the ratios 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. The host state loan-to-deposit ratios, and any changes in the way the ratios are calculated, will be made publicly available on an annual basis.

Questions about section 109 of the Interstate Act may be directed to your supervisory office or the Community and Consumer Policy Division at (202) 874-4428.

Ralph S. Sharpe  
Deputy Comptroller  
Community and Consumer Policy

#### Related Links

- [2001 Host State Loan-to-Deposit Ratios](#)
- [Joint Press Release \[http://www.federalreserve.gov/boarddocs/press/general/2001/20010628/default.htm\]](http://www.federalreserve.gov/boarddocs/press/general/2001/20010628/default.htm)

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<sup>1</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. Res. 18 (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.

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 Percentages
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%

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State or U.S. Territory	Host State Loan-to-Deposit Ratio Percentages
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%

<b>Section 109 of the Interstate Banking and Branching Efficiency Act</b>	
<b>2001 Host State Loan-to-Deposit Ratios</b>	
<b>Using Data as of June 30, 2000</b>	
<b>(Excludes wholesale or limited purpose CRA-designated banks, credit card banks, and special purpose banks)</b>	
<b>State or U.S. Territory</b>	<b>Host State Loan-to- Deposit Ratio Percentages</b>
West Virginia	89%
Wisconsin	100%
Wyoming	56%
American Samoa	79%
Federated States of Micronesia	72%
Guam	82%
Puerto Rico	100%
Virgin Islands	78%