



RESCINDED

OCC 2006-28

**Subject: Prohibition Against Interstate Deposit
Production**
Date: July 3, 2006

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Any attachments to this document are rescinded only as they relate to national banks and federal savings associations.

2006, are 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 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.

Section 109 provides a process to test compliance with the statutory requirements. The process compares a bank's statewide loan-to-deposit ratio to the host-state loan-to-deposit ratio for banks in a particular state. 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 calculate the ratio, the appropriate banking agency must determine whether the bank is reasonably helping to meet the credit needs of the communities served by the bank.

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 *Reports of Condition and Income* (call report) and the *Summary of Deposits Reports*, as of June 30, 2005, 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 by 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 are made available to the public on an annual basis.

Please direct questions regarding this bulletin to your supervisory office or to Karen Tucker, National Bank Examiner, Compliance Policy Department at (202) 874-4428.

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Deputy Comptroller for Compliance Policy

Related Links

- [2006 Host State Loan-to-Deposit Ratios](#)

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Section 109 of the Interstate Banking and Branching Efficiency Act	
2006 Host State Loan-to-Deposit Ratios Using Data as of June 30, 2005 (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	89%
Alaska	79%
Arizona	95%
Arkansas	82%
California	82%
Colorado	74%
Connecticut	91%
Delaware	111%
District of Columbia	84%
Florida	84%
Georgia	95%
Hawaii	71%
Idaho	88%
Illinois	90%
Indiana	117%
Iowa	88%
Kansas	82%
Kentucky	99%
Louisiana	81%
Maine	103%
Maryland	92%
Massachusetts	78%
Michigan	104%
Minnesota	94%
Mississippi	83%

Section 109 of the Interstate Banking and Branching Efficiency Act	

2006 Host State Loan-to-Deposit Ratios Using Data as of June 30, 2005 (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
Missouri	89%
Montana	91%
Nebraska	86%
Nevada	68%
New Hampshire	89%
New Jersey	60%
New Mexico	73%
New York	92%
North Carolina	81%
North Dakota	132%
Ohio	110%
Oklahoma	83%
Oregon	94%
Pennsylvania	85%
Rhode Island	95%
South Carolina	92%
South Dakota	94%
Tennessee	96%
Texas	74%
Utah	83%
Vermont	82%
Virginia	78%
Washington	99%
West Virginia	90%
Wisconsin	105%

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Using Data as of June 30, 2005	
(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
Wyoming	74%
American Samoa	97%
Federated States of Micronesia	28%
Guam	57%
Puerto Rico	93%
Virgin Islands	47%