

RESCINDED



Comptroller of the Currency
Administrator of National Banks
US Department of the Treasury

Outdated: Any attachments to this document are rescinded only as they relate to national banks and federal savings associations.

OCC 2011-31

Subject: Prohibition Against Interstate Deposit Production
Date: July 8, 2011

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

The Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation recently issued updated host state loan-to-deposit ratios that the banking agencies will use to determine compliance with section 109 of the Riegle–Neal Interstate Banking and Branching Efficiency Act of 1994 (Interstate Act). These ratios, which update data released in June 2010, 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 estimated statewide loan-to-deposit ratio to the estimated host state loan-to-deposit ratio for banks in a particular state. If a bank's estimated 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's interstate branches.

The estimated host state loan-to-deposit ratios and any changes in the way the ratios are calculated will be publicized annually.

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

Grovetta N. Gardineer
Deputy Comptroller for Compliance Policy

Related Link

- [Section 109 Host State Loan-to-Deposit Ratios](#)

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 bank's estimated statewide loan-to-deposit ratio² to the estimated 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 estimated 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 subject to sanctions by the appropriate agency.

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.

Section 109 of the Interstate Banking and
Branching Efficiency Act

Host State Loan-to-Deposit Ratios

Using Data as of June 30, 2010

(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	77%
Alaska	70%
Arizona	83%
Arkansas	80%
California	80%
Colorado	70%
Connecticut	89%
Delaware	57%
District of Columbia	84%
Florida	77%
Georgia	80%
Hawaii	64%
Idaho	87%
Illinois	76%
Indiana	83%
Iowa	82%
Kansas	75%
Kentucky	85%
Louisiana	77%
Maine	104%
Maryland	88%
Massachusetts	83%
Michigan	86%
Minnesota	82%

Section 109 of the Interstate Banking and
Branching Efficiency Act

Host State Loan-to-Deposit Ratios
Using Data as of June 30, 2010
(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	78%
Missouri	77%
Montana	82%
Nebraska	90%
Nevada	86%
New Hampshire	87%
New Jersey	86%
New Mexico	67%
New York	78%
North Carolina	81%
North Dakota	166%
Ohio	81%
Oklahoma	78%
Oregon	83%
Pennsylvania	82%
Rhode Island	86%
South Carolina	79%
South Dakota	84%
Tennessee	89%
Texas	71%
Utah	76%
Vermont	92%
Virginia	78%
Washington	86%
West Virginia	84%

Section 109 of the Interstate Banking and Branching Efficiency Act	
Host State Loan-to-Deposit Ratios	
Using Data as of June 30, 2010	
(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	91%
Wyoming	67%
American Samoa	91%
Guam	74%
Puerto Rico	94%
Virgin Islands	85%

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, 2010. 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. Beginning in 2001, special purpose banks, including bankers' banks, were excluded because these banks do not engage in traditional deposit taking or lending.

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