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OCC BULLETIN 2012-21

**Subject: Prohibition Against Interstate Deposit  
Production**  
**Date: July 30, 2012**

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

Updated by OCC 2014-34.

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

The Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System Board, and the Federal Deposit Insurance Corporation (collectively, the agencies) recently issued updated host state loan-to-deposit ratios that the agencies 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 2011, 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 with the estimated 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.

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

Please direct questions regarding this bulletin to your supervisory office or to Compliance Policy Department at (202) 649-5470.

Grovetta N. Gardineer  
Deputy Comptroller for Compliance Policy

**Related Link**

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

## 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 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 ratio<sup>2</sup> 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.

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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> 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, 2011

(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	76%
Alaska	66%
Arizona	83%
Arkansas	75%
California	79%
Colorado	65%
Connecticut	86%
Delaware	47%
District of Columbia	87%
Florida	74%
Georgia	76%
Hawaii	58%
Idaho	76%
Illinois	69%
Indiana	79%
Iowa	80%
Kansas	69%
Kentucky	83%
Louisiana	73%
Maine	100%
Maryland	86%
Massachusetts	81%
Michigan	81%
Minnesota	78%

Section 109 of the Interstate Banking and  
Branching Efficiency Act

Host State Loan-to-Deposit Ratios  
Using Data as of June 30, 2011  
(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	74%
Missouri	71%
Montana	77%
Nebraska	82%
Nevada	64%
New Hampshire	88%
New Jersey	89%
New Mexico	66%
New York	76%
North Carolina	71%
North Dakota	81%
Ohio	75%
Oklahoma	71%
Oregon	78%
Pennsylvania	77%
Rhode Island	83%
South Carolina	75%
South Dakota	77%
Tennessee	83%
Texas	68%
Utah	111%
Vermont	88%
Virginia	77%
Washington	81%
West Virginia	82%

Section 109 of the Interstate Banking and Branching Efficiency Act	
Host State Loan-to-Deposit Ratios	
Using Data as of June 30, 2011	
(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	88%
Wyoming	62%
Guam	69%
Puerto Rico	90%
Virgin Islands	72%

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, 2011. 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.