

## 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). Section 109 of the Interstate Act prohibits a bank from establishing or acquiring a branch or branches outside of its home state primarily for the purpose of deposit production. Effective March 11, 2000, Title I of the Gramm-Leach-Bliley Act expanded the coverage of Section 109 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 first step involves a loan-to-deposit ratio screen that compares a bank’s statewide loan-to-deposit ratio<sup>2</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 for that state, 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 are not available at the bank to conduct the first step. The second step requires the banking agencies to determine if 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 agencies.

The agencies will update the host state loan-to-deposit ratios on an annual basis.

---

<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.

<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

As of June 30, 1999

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

| <b>State</b>         | <b>Host State Loan-to-Deposit Ratio</b> |
|----------------------|---|
| Alabama              | 97%                                     |
| Alaska               | 74%                                     |
| Arizona              | 95%                                     |
| Arkansas             | 71%                                     |
| California           | 88%                                     |
| Colorado             | 62%                                     |
| Connecticut          | 84%                                     |
| Delaware             | 72%                                     |
| District of Columbia | 77%                                     |
| Florida              | 86%                                     |
| Georgia              | 101%                                    |
| Hawaii               | 102%                                    |
| Idaho                | 75%                                     |
| Illinois             | 94%                                     |
| Indiana              | 92%                                     |
| Iowa                 | 76%                                     |
| Kansas               | 73%                                     |
| Kentucky             | 93%                                     |
| Louisiana            | 77%                                     |
| Maine                | 92%                                     |
| Maryland             | 86%                                     |
| Massachusetts        | 82%                                     |
| Michigan             | 100%                                    |
| Minnesota            | 100%                                    |

Section 109 of the Interstate Banking and  
Branching Efficiency Act

Host State Loan-to-Deposit Ratios

As of June 30, 1999

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

| <b>State</b>   | <b>Host State Loan-to-Deposit Ratio</b> |
|----------------|---|
| Mississippi    | 78%                                     |
| Missouri       | 82%                                     |
| Montana        | 81%                                     |
| Nebraska       | 80%                                     |
| Nevada         | 75%                                     |
| New Hampshire  | 80%                                     |
| New Jersey     | 73%                                     |
| New Mexico     | 67%                                     |
| New York       | 96%                                     |
| North Carolina | 103%                                    |
| North Dakota   | 96%                                     |
| Ohio           | 114%                                    |
| Oklahoma       | 71%                                     |
| Oregon         | 78%                                     |
| Pennsylvania   | 98%                                     |
| Rhode Island   | 74%                                     |
| South Carolina | 83%                                     |
| South Dakota   | 102%                                    |
| Tennessee      | 89%                                     |
| Texas          | 69%                                     |
| Utah           | 104%                                    |
| Vermont        | 84%                                     |
| Virginia       | 84%                                     |
| Washington     | 115%                                    |
| West Virginia  | 83%                                     |

| Section 109 of the Interstate Banking and<br>Branching Efficiency Act  |                                      |
|--|--------------------------------------|
| Host State Loan-to-Deposit Ratios<br>As of June 30, 1999<br>(Excludes wholesale or limited purpose CRA-designated<br>banks and credit card banks.) |                                      |
| State  | Host State Loan-to-<br>Deposit Ratio |
| Wisconsin  | 93%                                  |
| Wyoming  | 99%                                  |
| American Samoa   | 84%                                  |
| Federated States of Micronesia   | 67%                                  |
| Guam   | 81%                                  |
| Puerto Rico  | 93%                                  |
| Virgin Islands   | 74%                                  |

Due to the legislative intent against imposing regulatory burden, no additional data were collected from the 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, 1999. 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 Report) 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 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. Credit card banks, which typically have large loan portfolios but few deposits, were also excluded, regardless of whether they had a limited purpose CRA-designation.

The host state loan-to-deposit ratios, and any changes in the way the ratio is calculated, will be made publicly available on an annual basis.