



# RESCINDED

OCC 2002-32

**Subject: Prohibition Against Interstate Deposit  
Production**  
**Date: July 22, 2002**

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Any attachments to this document are rescinded only as they relate to national banks and federal savings associations.

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 June 2001, 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 <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, 2001, 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, will be made available to the public on an annual basis.

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

David G. Hammaker  
Deputy Comptroller for Compliance

---

<sup>1</sup> On June 1, the agency jointly published in the *Federal Register* a final rule amending the uniform regulations implementing section 106 of the Gramm–Leach–Bliley Act to conform to the requirements of section 106 of the Gramm–Leach–Bliley Act, at 67 FR 38844 (codified at 12 CFR 25, 12 CFR 208, and 12 CFR 369). Section 106 of the Gramm–Leach–Bliley Act amended the definition of "interstate branch" to include any branch of a bank controlled by an out-of-state bank holding company. The final rule amends 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. The effective date of the final rule is October 1. This final rule does not affect the calculation of the host-state loan-to-deposit ratios.

#### Related Links

- [2002 Host State Loan-to-Deposit Ratios](#)

Section 109 of the Interstate Banking and  
Branching Efficiency Act

2002 Host-State Loan-to-Deposit Ratios

Using Data as of June 30, 2001

(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	93%
Alaska	74%
Arizona	58%
Arkansas	78%
California	92%
Colorado	80%
Connecticut	82%
Delaware	80%
District of Columbia	90%
Florida	81%
Georgia	89%
Hawaii	91%
Idaho	77%
Illinois	90%
Indiana	119%
Iowa	80%
Kansas	80%
Kentucky	88%
Louisiana	76%
Maine	92%
Maryland	84%
Massachusetts	83%
Michigan	103%

Section 109 of the Interstate Banking and  
Branching Efficiency Act

2002 Host-State Loan-to-Deposit Ratios

Using Data as of June 30, 2001

(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>
Minnesota	105 %
Mississippi	79 %
Missouri	82 %
Montana	81 %
Nebraska	85 %
Nevada	75 %
New Hampshire	78 %
New Jersey	70 %
New Mexico	64 %
New York	90 %
North Carolina	91 %
North Dakota	105 %
Ohio	114 %
Oklahoma	78 %
Oregon	85 %
Pennsylvania	79 %
Rhode Island	77 %
South Carolina	84 %
South Dakota	130 %
Tennessee	89 %
Texas	66 %
Utah	92 %
Vermont	88 %
Virginia	76 %

Section 109 of the Interstate Banking and  
Branching Efficiency Act

2002 Host-State Loan-to-Deposit Ratios

Using Data as of June 30, 2001

(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>
Washington	114%
West Virginia	81%
Wisconsin	99%
Wyoming	84%
American Samoa	79%
Federated States of	75%
Guam	69%
Puerto Rico	65%
Virgin Islands	70%