

The word "RESCINDED" is written in large, bold, red capital letters. To the left of the first few letters is a blue circular logo with a white stylized 'C' or 'O' shape. Behind the letters, there is a faint, partially obscured document header from the FDIC, including the text "Director of Federal Banks" and "Department of Treasury".

RESCINDED

OCC 2004-41

**Subject: Prohibition Against Interstate Deposit
Production**
Date: September 2, 2004

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Any attachments to this document are rescinded only as they relate to national banks and federal savings associations.

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 if 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 *Call Reports and the Summary of Deposits Reports*, as of June 30, 2003, 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 Department at (202) 874-4428.

Ann F. Jaedicke
Deputy Comptroller for Compliance

Related Link

- [2014 Hospital Loan-to-Deposit Ratios](#)

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Section 109 of the Interstate Banking and
Branching Efficiency Act

2004 Host State Loan-to-Deposit Ratios

Using Data as of June 30, 2003

(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	96%
Alaska	64%
Arizona	63%
Arkansas	77%
California	105%
Colorado	72%
Connecticut	82%
Delaware	85%
District of Columbia	83%
Florida	81%
Georgia	102%
Hawaii	72%
Idaho	81%
Illinois	80%
Indiana	163%
Iowa	71%
Kansas	79%
Kentucky	87%
Louisiana	75%
Maine	95%
Maryland	81%
Massachusetts	72%
Michigan	101%
Minnesota	89%

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2004 Host State Loan-to-Deposit Ratios

Using Data as of June 30, 2003

(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	77%
Missouri	83%
Montana	81%
Nebraska	81%
Nevada	71%
New Hampshire	76%
New Jersey	58%
New Mexico	69%
New York	86%
North Carolina	82%
North Dakota	107%
Ohio	119%
Oklahoma	80%
Oregon	88%
Pennsylvania	69%
Rhode Island	80%
South Carolina	89%
South Dakota	120%
Tennessee	91%
Texas	68%
Utah	92%
Vermont	77%
Virginia	71%
Washington	105%
West Virginia	77%

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Using Data as of June 30, 2003

(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	95%
Wyoming	65%
American Samoa	85%
Federated States of Micronesia	22%
Guam	64%
Puerto Rico	66%
Virgin Islands	54%