

A large, bold, red stamp with the word "RESCINDED" in all caps. To the left of the word is a circular logo with a blue and white design. The stamp is overlaid on a document header that includes the text "Department of the Treasury" and "Division of Banking Supervision".

RESCINDED

OCC 2003-19

**Subject: Prohibition Against Interstate Deposit
Production**
Date: May 22, 2003

**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Any attachments to this document are rescinded only as they relate to national banks and federal savings associations.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. Updated examination procedures were distributed via OCC Bulletin 2003-6, dated February 11, 2003.

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, 2002, 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. Harman
Deputy Comptroller for Compliance

Related Links

- [2003 Host State Loan-to-Deposit Ratios](#)

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Section 109 of the Interstate Banking and Branching Efficiency Act	
2003 Host State Loan-to-Deposit Ratios	
Using Data as of June 30, 2002	
(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	94%
Alaska	71%
Arizona	60%
Arkansas	77%
California	93%
Colorado	83%
Connecticut	80%
Delaware	82%
District of Columbia	86%
Florida	80%
Georgia	101%
Hawaii	79%
Idaho	77%
Illinois	87%
Indiana	114%
Iowa	76%
Kansas	80%
Kentucky	89%
Louisiana	75%
Maine	94%
Maryland	85%
Massachusetts	75%
Michigan	102%
Minnesota	103%

Section 109 of the Interstate Banking and
Branching Efficiency Act

2003 Host State Loan-to-Deposit Ratios

Using Data as of June 30, 2002

(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	81%
Montana	82%
Nebraska	84%
Nevada	78%
New Hampshire	78%
New Jersey	60%
New Mexico	64%
New York	93%
North Carolina	85%
North Dakota	96%
Ohio	121%
Oklahoma	79%
Oregon	88%
Pennsylvania	75%
Rhode Island	75%
South Carolina	85%
South Dakota	131%
Tennessee	88%
Texas	68%
Utah	99%
Vermont	78%
Virginia	70%
Washington	99%
West Virginia	76%

Section 109 of the Interstate Banking and
Branching Efficiency Act

2003 Host State Loan-to-Deposit Ratios

Using Data as of June 30, 2002

(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	97%
Wyoming	68%
American Samoa	87%
Federated States of Micronesia	63%
Guam	64%
Puerto Rico	62%
Virgin Islands	64%