SECTION 109 HOST STATE LOAN-TO-DEPOSIT RATIOS

The Board of Governors of the Federal Reserve System (Board), the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) (collectively, the agencies) today are making public the host state loan-to-deposit ratios[1] 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[2] 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 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

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[1] 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(n) (OCC), 12 CFR 211.22 (Board), and 12 CFR 347.202(m) (FDIC).

[2] 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.

that fails both steps is in violation of section 109 and subject to sanctions by the appropriate agency.

Section 109 of the Interstate Banking and Branching Efficiency Act Host State Loan-to-Deposit Ratios Using Data as of June 30, 2023 (Excludes wholesale or limited purpose Community Reinvestment Act-designated banks, credit card banks, and special purpose banks)	
State or U.S. Territory	**Host State Loan-to-Deposit Ratio**
Alabama	76%
Alaska	61%
Arizona	98%
Arkansas	83%
California	84%
Colorado	75%
Connecticut	89%
Delaware	60%
District of Columbia	90%
Florida	82%
Georgia	83%
Hawaii	72%
Idaho	69%
Illinois	80%
Indiana	85%
Iowa	80%
Kansas	80%
Kentucky	81%
Louisiana	81%
Maine	92%
Maryland	91%

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State or U.S. Territory	**Host State Loan-to-Deposit Ratio**
Massachusetts	94%
Michigan	88%
Minnesota	66%
Mississippi	78%
Missouri	78%
Montana	77%
Nebraska	85%
Nevada	81%
New Hampshire	96%
New Jersey	98%
New Mexico	60%
New York	68%
North Carolina	65%
North Dakota	85%
Ohio	75%
Oklahoma	86%
Oregon	86%
Pennsylvania	89%
Rhode Island	91%
South Carolina	74%
South Dakota	60%
Tennessee	84%
Texas	71%
Utah	83%
Vermont	83%

Section 109 of the Interstate Banking and Branching Efficiency Act Host State Loan-to-Deposit Ratios Using Data as of June 30, 2023 (Excludes wholesale or limited purpose Community Reinvestment Act-designated banks, credit card banks, and special purpose banks)	
State or U.S. Territory	**Host State Loan-to-Deposit Ratio**
Virginia	84%
Washington	87%
West Virginia	82%
Wisconsin	90%
Wyoming	60%
Guam	74%
Puerto Rico	43%
Virgin Islands	45%

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 Consolidated Reports of Condition and Income (call reports) and Summary of Deposits Surveys (summary of deposits), as of June 30, 2023. 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 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 wholesale or limited purpose 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.