To State Member Banks, Bank
Holding Companies, Financial Holding
Companies, Savings and Loan Holding Companies,
and Foreign Banking Offices
in the Twelfth Federal Reserve District

Banking Agencies Issue Host State Loan-to-Deposit Ratios

On June 29, 2012, the Board of Governors of the Federal Reserve System, the Federal Deposit
Insurance Corporation, and the Office of the Comptroller of the Currency issued the host state loan-to-
deposit ratios that the banking agencies will use to determine compliance with section 109 of the Riegle-
Neal Interstate Banking and Branching Efficiency Act of 1994. These ratios update data released on June
30, 2011.

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 109 also prohibits branches of banks
controlled by out-of-state bank holding companies from operating primarily for the purpose of deposit
production.

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

The updated host state loan-to-deposit ratios are attached.

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San
Francisco’s website, at http://www.frbsf.org/banking/letters.

For additional information, please contact:

Federal Reserve Bank of San Francisco
Banking Supervision and Regulation
(801) 322-7853

Attachment: Section 109 Host State Loan-To-Deposit Ratios (22 KB PDF)