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


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.

The second step is conducted if a bank’s statewide loan-to-deposit ratio is less than one-half of the published ratio of 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.

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-supervision/publications/district-circular-letters/.

For additional information, please contact:

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

Attachments
Agency Press Release Announcing Host State Loan-to-Deposit Ratios
Section 109 Host State Loan-to-Deposit Ratios