

Federal Reserve Bank of San Francisco
101 Market Street, San Francisco, California 94105

June 27, 2006

**BANKING SUPERVISION AND REGULATION:
HOST STATE LOAN-TO-DEPOSIT RATIOS**

To State Member Banks, Bank
Holding Companies, U.S. Branches
and Agencies of Foreign Banks,
and Others Concerned,
in the Twelfth Federal Reserve District

Banking Agencies Issue Host State Loan-to-Deposit Ratios

The Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency have issued the host state loan-to-deposit ratios that 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 July 7, 2005.

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

Section 109 also provides a process to test compliance with the statutory requirements.

1. The first step 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.
2. 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.

Additional Information

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

For additional information about the host state loan-to-deposit ratios, please contact our Banking Supervision and Regulation Department at (415) 974-3028.

FEDERAL RESERVE BANK OF SAN FRANCISCO

[Attachment: Section 109, Host State Loan-To-Deposit Ratios](#)