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CORPORATE & FINANCIAL WEEKLY DIGEST

Corporate & Financial Weekly Digest

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Banking Agencies Issue Host State Loan-to-Deposit Ratios

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On June 24, 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 they will use to determine compliance with Section 109 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (Section 109). Section 109 generally prohibits a bank from establishing or acquiring a branch or branches outside of its home state primarily for the purpose of deposit production. Such ratios are published on an annual basis.

Section 109 specifically prescribes a two-step process to test compliance with the statutory requirements. 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. The second step is required if a bank's statewide loan-to-deposit ratio is less than one-half of the published ratio for the state or if the data are not available at the bank to conduct the first step. (A 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.) 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. If a bank fails both steps, it is in violation of Section 109.

For more information, click here.

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