

TEXAS RATIO - BEST 15 STATES/TERRITORIES

by [Steve Brown](#)

Since we focused on struggling states (based on the Texas Ratio) yesterday, today we cheer things up a bit by focusing in on states and territories where banks are not all that strained.

Using FDIC data from the 3Q, the state with the least strain in the country is MA with a weighted average Texas Ratio for its 172 banks at slightly less than 10% overall. Only 3 banks in the state have a ratio greater than 100% and while the highest ratio for any bank in the state is a whopping 712%, the lowest is only 0% and is held by 8 banks.

Coming in as the 2nd best state isn't a state at all, but rather is the territory of the Federated States of Micronesia. The only bank in this territory is FDIC-insured, so it counts even though it only carries a ratio of just less than 11%.

The 3rd best state to lend in based on the Texas Ratio is ME. The Pine Tree State has only 1 bank with a ratio above 100%, helping to keep the overall state average a low 13%. Agriculture, lobster fishing and shipbuilding (its major industries) must be doing ok despite the recession, helping support loan repayment and in turn, keeping NPAs for these bankers at a minimum.

Our 4th best state in the country is again not a state at all. Both banks in the Virgin Islands are doing well when it comes to this ratio, carrying a weighted average of only 16%. We don't know what these banks are doing to keep borrowers current, but given the nice weather and white sand beaches this time of year, it might be worth a due diligence trip for many stressed community bankers to find out personally.

Rounding out the top 5 we find NH and its 24 banks holding on to an overall ratio of just less than 17%. The Granite State has no banks with a ratio above 100% and in fact the worst it delivers is a singular bank with a mere 33%. This state is doing well despite the economic storm, as any New Hampshirite will tell you.

Now that we have reviewed the 5 best states in terms of the lowest weighted average Texas Ratios, we provide the rest of the list up through the best 15. Following the above five in order from best to worst, the data shows these states and territories are also hanging in there: NY (17% overall, 6 banks > 100% and 30 banks at 0%); American Samoa (18% overall, only 1 bank in the territory); VT (19% overall, highest is 41%); UT (21% overall, but 17% of banks in the state are above 100%); ND (21% overall, highest in the state is 89%); HI (22% overall, highest is 78%); WY (23% overall, highest is 59%); NJ (23% overall, 5% of banks are above 100%, but 8% have a ratio of 0%); CT (23% overall, 1 bank is above 100% and 9% of banks in the state have a ratio of 0%) and DE (26% overall, 1 bank is nearing 100% but isn't quite over and 13% of banks have a ratio of 0%).

Banks operating in these better performing states may not be feeling as much pain as the group listed yesterday, which is a good thing. While it remains to be seen whether these states are lagging or insulated, we are happy to see these islands of performance. While all bankers have to work hard to maintain profitability and performance, as can be seen from this analysis, some are doing ok. There is no doubt that strains in the industry persist and we caution all readers again not to get too

hung up on any singular metric, but at least for this analysis, banks in the listed states may be well positioned to consider expanding to other states.

BANK NEWS

BK

The parent company of AmTrust Bank (\$11.5B, OH) filed Chapter 11 bankruptcy. The filing does not include the bank's 66 branches in Northeast Ohio, Florida and Arizona, but was done to reorganize the debt related to its material investment in real estate developments across the country.

TAG Program

About 80% of institutions elected to remain in the transaction account guarantee program (fully guarantees all non-interest bearing accounts) through Jun 30 2010.

Branch M&A

The holding company of The Union Bank (\$600mm, OH) has entered a deal to purchase a branch from Home Savings and Loan (\$2.4B, OH) for an undisclosed sum. Included in the deal are all deposits and \$2mm in loans.

No Thanks

Iowa CU League withdrew its application to purchase CrediCard National Bank (\$10mm, AZ) after determining that the "regulatory requirements that would be imposed upon the business model" would be too great.

Bank Prediction

The IMF projects as much as 50% of bank losses could still be hidden in bank balance sheets worldwide, as financial institutions continue to work towards full recovery.

Tighter Lending

FNMA said it will require borrowers not only to have 20% down to qualify for a home loan, but also have a credit score above 619. Previously, the cut-off was 580. In addition, no more than 45% of gross monthly income can go toward debt service.

Cyber Monday

According to Coremetrics, a CA-based marketing company, online purchases rose 14%.

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