Question

At first we need to find the level of deposits:

$$LD = \frac{400 - 3}{0.10} = 3970 \; billions \; (deposits).$$

We know that 90% of deposits are held as loans. So, we have that

$0.90 \cdot LD = 0.90 \cdot 3970 = 3573 \; billions$ are held as loans. But 3573 billions is the level of loans if

there are no any excess reserves. Hence, loans are actually: $3573 - 3 = 3570 \; billions$.

So, the level of loan is $3,570 billions. It's answer: d.

Answer: D. $3,570 billions.