



fed LETTER

Colorado ★ Kansas ★ Missouri ★ Nebraska ★ New Mexico ★ Oklahoma ★ Wyoming

January 2011

FEDERAL RESERVE BANK of KANSAS CITY

MANUFACTURING ACTIVITY PROCEEDS AT A SOLID PACE, SURVEY FINDS

Tenth District manufacturing activity continued at a solid pace in December, and producers were increasingly optimistic about future activity, according to the latest [Survey of Tenth District Manufacturing](#). Price indexes in the survey rose further, with a marked increase in raw materials prices.

The monthly survey monitors District manufacturing plants selected according to geographic distribution, industry mix and size. Survey results reveal changes in several indicators of manufacturing activity, including production and shipments, and identify changes in prices of raw materials and finished products.

GLOBAL DEMAND BOOSTS RURAL AMERICA'S RECOVERY

In 2010, rural America was at the forefront of the economic recovery. As sluggish job growth reined in the U.S. economy, rural firms harnessed stronger global demand and raced ahead of their metro peers. The latest edition of [The Main Street Economist](#) reviews developments in the rural economy and discusses prospects for the year ahead.

The Main Street Economist is a bimonthly publication examining major economic issues and opportunities for agriculture and rural America.

HOLIDAY REMINDER

The Federal Reserve Bank of Kansas City will be closed Monday, Jan. 17, for Martin Luther King, Jr., Day. A full listing of Federal Reserve System holidays is available on the [FRB Financial Services](#) website.

WELCOME, NEW STATE MEMBER BANKS

The Federal Reserve Bank of Kansas City is pleased to welcome the following state member bank to the Tenth District of the Federal Reserve System:

West Plains Bank

Ainsworth, Neb.

Dec. 20

REGULATORY DEVELOPMENTS

Interagency examination procedures approved for risk-based pricing notices

The Task Force on Consumer Compliance of the Federal Financial Institutions Examination Council has approved [examination procedures](#) for Subpart H of Regulation V. The procedures incorporate the risk-based pricing provisions of the Fair and Accurate Credit Transactions Act of 2003. The regulation requires a creditor to provide a consumer with a notice when, based on the consumer's credit report, the creditor provides credit to the consumer on materially less-favorable terms than it provides to other consumers. Compliance with the risk-based pricing provisions is required on Jan. 1, 2011.

Two-year eligibility extension announced for FEMA preferred risk policy purchase

The Federal Emergency Management Agency (FEMA) announced a [new flood insurance rating option](#) for the National Flood Insurance Program (NFIP) to help reduce the financial burden placed on property owners whose buildings are newly mapped into a high-risk flood area. Buildings that are newly mapped into a high-risk flood zone due to a map revision on or after Jan. 1, 2011, are eligible for a lower-cost preferred risk policy (PRP) for two policy years from the map revision date. Buildings that have been newly mapped into high-risk flood areas due to a map revision on or after Oct. 1, 2008, and before Jan. 1, 2011, are eligible for a PRP for two policy years effective between Jan. 1, 2011, and Dec. 31, 2012.

Policies issued as standard-rated policies or converted to standard-rated policies following a map change on or after Oct. 1, 2008, could be converted to the lower-cost PRP for two years beginning on the first renewal effective on or after Jan. 1, 2011. The companies that write flood insurance policies, not the lender, will be responsible for determining and validating PRP extended eligibility.

Consumer protection regulations expand to credit transactions and leases of higher dollar amounts

The Federal Reserve Board has proposed two [rules](#) that would expand the coverage of consumer protection regulations to credit transactions and leases of higher dollar amounts under Regulation Z-Truth in Lending and Regulation M-Consumer Leasing. The proposed rules would implement provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act and would raise the exemption threshold for which transaction-specific disclosures on consumer loans and leases are not required from \$25,000 to \$50,000. In addition, the threshold would be adjusted annually based on the consumer price index. Comments must be submitted by Feb. 1, 2011.

Notice of asset-size exemption threshold under Regulation C published

The Federal Reserve Board has published its annual notice regarding the [asset-size exemption threshold](#) for depository institutions under Regulation C, which implements the Home Mortgage Disclosure Act (HMDA). The asset-size exemption for depository institutions with offices located in metropolitan areas will increase to \$40 million. Depository institutions with assets of \$40 million or less as of Dec. 31, 2010, are exempt from collecting data in 2011.

Final rule under the Community Reinvestment Act announced

The federal bank and thrift regulatory agencies have announced **changes to the CRA regulations** to support stabilization of communities affected by high foreclosure levels. The final rule encourages depository institutions to support eligible development activities, including loans, investments and services, in areas designated under the Neighborhood Stabilization Program (NSP) administered by the U.S. Department of Housing and Urban Development (HUD). The final rule is effective Jan. 19, 2011.

Annual CRA asset-size threshold adjustments announced for small and intermediate small institutions

The federal bank regulatory agencies have announced the **annual adjustment to the asset-size thresholds** used to define “small bank” and “intermediate small bank” under the Community Reinvestment Act (CRA) regulation. The definitions of small and intermediate small institutions for CRA examinations will change, and the new asset-size threshold adjustments are effective Jan. 1, 2011. “Small bank” means an institution that, as of Dec. 31 of either of the prior two calendar years, had assets of less than \$1.122 billion. “Intermediate small bank” means a small institution with assets of at least \$280 million as of Dec. 31 of both of the prior two calendar years, and less than \$1.122 billion as of Dec. 31 of either of the prior two calendar years.

Underwriting standards issued for loans originated under the Small Business Lending Fund Program issued

The federal banking agencies have issued **guidance** on underwriting standards for lending conducted under the Small Business Lending Fund (SBLF) Program, which is being administered by the U.S. Department of the Treasury (the Treasury). Pursuant to the Small Business Jobs Act of 2010, the Treasury is authorized to purchase up to \$30 billion in preferred stock and other financial instruments from eligible financial institutions to create the availability of credit for small businesses. Small institutions with assets of \$10 billion or less may apply for the program and are encouraged to submit their SBLF applications to the Treasury by March 31, 2011. Details of the program and application process are available on the **Treasury’s website**.

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