



fed LETTER

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

November 2009

FEDERAL RESERVE BANK of KANSAS CITY

OCTOBER MANUFACTURING ACTIVITY MODERATES ACROSS DISTRICT

Growth in Tenth District manufacturing activity moderated somewhat in October, but producers were more optimistic about future activity, according to the latest **Survey of Tenth District Manufacturing**. Price indexes increased somewhat for raw materials, while finished goods price indexes were generally stable.

The monthly survey monitors 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.

TENTH DISTRICT ECONOMY EXPANDS, ACCORDING TO BEIGE BOOK

The Tenth District economy expanded slightly in September and early October, according to the **latest edition** of the Beige Book, released Oct. 21. Retail spending increased somewhat, but auto sales dropped back sharply and tourism activity slowed. Manufacturing activity showed gains, and further improvements were expected in the months ahead.

Reports from other districts indicated either stabilization or modest improvements in many sectors since the last report on Sept. 9.

FINANCIAL STRESS DECLINES IN SEPTEMBER, INDEX SHOWS

The **latest reading** of the Kansas City Financial Stress Index (KCFSI) indicated that financial stress declined in September but still remained above pre-crisis levels. The index was 0.52 in September, compared to 0.81 in August.

The KCFSI is a monthly measure of stress in the U.S. financial system based on 11 financial market variables. A positive value indicates that financial stress is above the long-run average, while a negative value signifies that financial stress is below the long-run average.

**STUDY FINDS FINANCIAL
EDUCATION PROGRAMS
BENEFIT THE WORKPLACE**

A **new study** from the Community Affairs staff of the Kansas City Fed suggests that both employers and workers benefit from financial education programs in the workplace.

The study, by Senior Economist Kelly Edmiston, Community Affairs Advisor Molly McGrath and Mary C. Gillett-Fisher of the U.S. Department of Agriculture, finds evidence that financial education programs help workers make better personal financial decisions. In addition, the study suggests that employers offering such programs find themselves with less-stressed workers.

HOLIDAY REMINDER

The Kansas City Fed will be closed Wednesday, Nov. 11, for Veterans' Day and Thursday, Nov. 26, for Thanksgiving. A **full list** of Federal Reserve holidays is available from the FRB Financial Services website.

**REGULATORY
DEVELOPMENTS**
*Revised examination procedures
approved for Home Mortgage
Disclosure Act*

The Task Force on Consumer Compliance of the Federal Financial Institutions Examination Council has approved updated **examination procedures** for Regulation C, the Home Mortgage Disclosure Act (HMDA). The updated procedures incorporate regulatory changes effective Oct. 1, 2009, for calculating and reporting rate spread information on HMDA-related loans.

*Comment sought on proposed
incentive compensation guidelines*

The Federal Reserve Board is seeking comment on **proposed guidance** designed to help ensure that the incentive compensation policies of banking organizations do not encourage excessive risk-taking and are consistent with safety and soundness.

The proposal includes two supervisory initiatives. One, applicable only to 28 large, complex banking organizations, will review each firm's policies and practices to determine their consistency with the principles for risk-appropriate incentive compensation set forth in the proposal. These firm-specific policies will be assessed by supervisors in a special "horizontal review," a coordinated examination of practices at the 28 firms. Second, supervisors will continue to review incentive compensation practices at regional, community and other banking organizations as part of the regular, risk-focused examination process.

These reviews will be tailored to take account of the size, complexity and other characteristics of the banking organization. The Federal Reserve is seeking comments on the proposed guidance no later than Nov. 27, 2009.

*Credit card amendments to
Regulation Z proposed*

The Federal Reserve is proposing amendments to Regulation Z to incorporate the second stage of credit card changes required by The Credit Card Accountability, Responsibility, and Disclosure Act.

These proposed changes will limit the circumstances under which credit card interest rates may be increased, ban the two-cycle billing method, restrict credit card marketing to consumers under 21 years of age, and prohibit the allocation of payments in a manner designed to maximize interest charges. The comment period closes on Nov. 20, 2009.

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