



fed LETTER

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

September 2008

FEDERAL RESERVE BANK of KANSAS CITY

MANUFACTURING GROWTH EASES WHILE EXPECTATIONS REBOUND

Growth in Tenth District manufacturing activity eased somewhat in August, but firms' expectations for future activity rebounded considerably over the last month, according to the latest [Survey of Tenth District Manufacturing](#), which was released on Aug. 28. Most price indexes moderated slightly from very high levels, though most contacts still expected some future pass-through of prices.

The monthly survey asks plant managers about a variety of manufacturing indicators. The information is compiled into a snapshot of manufacturing activity in the Tenth District.

HIGH ENERGY PRICES DAMPEN FARM INCOME EXPECTATIONS, SURVEY FINDS

Soaring energy costs have tempered farm income expectations despite historically high commodity prices, according to the Federal Reserve Bank of Kansas City's [second quarter Survey of Agricultural Credit Conditions](#), which was released Aug. 15. District bankers also reported that farmland values plateaued in the second quarter.

The quarterly survey of Tenth District agricultural bankers summarizes several indicators of farm financial conditions, including farmland values, interest rates on farm loans, credit supply and demand, and farm commodity prices.

ECONOMIC SYMPOSIUM PAPERS AVAILABLE

Papers presented at the Federal Reserve Bank of Kansas City's economic policy symposium, "[Maintaining Stability in a Changing Financial System](#)," held Aug. 21-23 in Jackson Hole, Wyo., are now available.

Each year since 1978, the Federal Reserve Bank of Kansas City has sponsored a symposium on an important economic issue facing the U.S. and world economies. Symposium participants include prominent central bankers, finance ministers, academics and financial market participants from around the world. The participants convene to discuss the economic issues, implications and policy options pertaining to the symposium topic. Papers, commentaries and discussions [from past symposiums](#) are also available.

MAIN STREET ECONOMIST
INVESTIGATES BOOM IN
RURAL DEFENSE SPENDING

In the [latest edition of the *Main Street Economist*](#), Chad Wilkerson and Megan Williams explore how the ongoing increase in national defense spending is affecting the economies of rural America, which are home to some of the country's largest military installations. The article investigates the recent boom in rural defense spending, the nation's near-term defense spending plans in rural America and the long-term role of the military in rural economies.

REGULATORY
DEVELOPMENTS
*Rule to standardize Basel II
approach proposed*

The banking agencies have proposed a rule that would implement certain of the less-complex approaches for calculating risk-based capital requirements that are included in the international Basel II capital accord. [The proposal](#), known as the standardized framework, would be available for banks and bank holding companies not subject to the advanced approaches of Basel II. The proposed standardized framework addresses a number of areas, including:

- Expanding the number of risk-weight categories to which credit exposures may be assigned;
- Using loan-to-value ratios to risk-weight most residential mortgages to enhance the sensitivity of the capital requirement; and
- Providing a capital charge for operational risk using the Basic Indicator Approach under the international Basel II capital accord.

Comments must be received on or before Oct. 27, 2008.

*Amendment proposed for
Regulation S-Right
to Financial Privacy*

The Federal Reserve Board proposes [to amend Regulation S](#), which sets the rates and conditions under which a government agency must reimburse a financial institution for costs incurred in producing customer financial records under the Right to Financial Privacy Act.

The proposal seeks to increase the personnel fees that may be charged for searching and processing document requests and also includes a labor cost adjustment that will be invoked every five years. The proposal also encourages electronic document productions by not allowing a 25-cent-per-page fee to be charged for printing electronically stored information.

The comment period ends on Sept. 29, 2008.

*Examination procedures
related to credit for service
members incorporated*

On July 31, the Board issued [Consumer Affairs Letter 08-4](#), which incorporates recently approved Federal Financial Institutions Examination Council examination procedures for the Talent Amendment. The procedures incorporate a final rule that took effect on Oct. 1, 2007. These rules impose limitations on certain types of consumer credit extended to service members and their dependents, including payday loans, motor vehicle title loans, and tax refund anticipation loans.

Fee-based trigger under Truth in Lending Act increased

Effective Jan. 1, 2009, the dollar amount of the **fee-based trigger** under the Truth in Lending Act (TILA) will be increased to \$583. Under the Home Ownership and Equity Protection Act (HOEPA) provisions of TILA, additional disclosures are required and certain loan restrictions are imposed when total points and fees payable by the consumer in a mortgage loan transaction exceed the fee-based trigger or 8 percent of the total loan amount, whichever is larger.

Updated examination procedures for Regulation Z and M issued

On Aug. 26, the Board issued **Consumer Affairs (CA) Letter 08-5**, which updates existing examination procedures for Regulations Z and M. The procedures were updated to include new provisions that address the electronic delivery of consumer disclosures. The amendments to these regulations were released on Nov. 1, 2007 and are effective on Oct. 1, 2008.

FED LETTER • SEPTEMBER 2008

Fed Letter is published by the Federal Reserve Bank of Kansas City,
1 MEMORIAL DRIVE, Kansas City, Missouri, 64198-0001, (800) 333-1010.

Editor: BILL MEDLEY

Graphic Designer: BETH NORMAN