



fed LETTER

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

September 2010

FEDERAL RESERVE BANK of KANSAS CITY

ANNUAL ECONOMIC POLICY SYMPOSIUM PAPERS AND PRESENTATIONS AVAILABLE

Papers and presentations from the Kansas City Fed's 2010 Economic Policy Symposium, "[Macroeconomic Challenges: The Decade Ahead](#)," held Aug. 26-28 in Jackson Hole, Wyo., are now available. More than 100 central bankers, policymakers, academics and economists from around the world attended the event.

Speakers included Federal Reserve Chairman Ben Bernanke, President of the European Central Bank Jean-Claude Trichet, Kansas City Fed President Thomas Hoenig, as well as professors and central bank governors. Participants discussed economic issues, implications and policy options related to this year's topic.

SURVEY FINDS DISTRICT MANUFACTURING SLOWS IN AUGUST

Tenth District manufacturing activity slowed in August, and producers were somewhat less optimistic than in previous months, according to the Kansas City Fed's latest [Survey of Tenth District Manufacturing](#). Price indexes in the survey were mostly unchanged.

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.

KANSAS CITY FED PRESIDENT OFFERS CONGRESSIONAL TESTIMONY

Thomas Hoenig, president of the Kansas City Fed and a voting member of the Federal Open Market Committee, delivered [testimony](#) to the U.S. House Subcommittee on Oversight and Investigations during a field hearing in Overland Park, Kan., on Aug. 23. [Recent speeches](#) from President Hoenig are also available from the Bank's website.

FARMLAND VALUES RISE AS
INCOMES FALL, SURVEY SHOWS

Tenth District farmland values continued to rise in the second quarter as farm incomes fell, according to the Federal Reserve Bank of Kansas City's quarterly [Survey of Agricultural Credit Conditions](#). Value gains were attributed to strong demand from farm and non-farm buyers and a limited supply of land for sale, while lower crop prices during the spring trimmed farm incomes.

The survey panel consists of about one-third (360) of the Tenth Federal Reserve District's agricultural banks selected according to geographic distribution and size. Survey results summarize several indicators of farm financial conditions, including farmland values, interest rates on farm loans, and credit supply and demand.

KANSAS CITY FED'S WEBSITE
FEATURES EASIER-TO-USE DESIGN

The [Kansas City Fed's website](#) was recently redesigned to make it easier for users to find relevant information about the regional economy, recent speeches and presentations, and research from the Bank's economists. The new site, which launched Aug. 23, can also help visitors find information about banking conditions, upcoming events, news releases and more.

HOLIDAY REMINDER

The Kansas City Fed will be closed Monday, Oct. 11, for Columbus Day. A [full schedule](#) of Federal Reserve System holidays is available from the Federal Reserve Board of Governors website.

REGULATORY DEVELOPMENTS
*Revised examination procedures for
Regulation Z approved*

The Task Force on Consumer Compliance of the Federal Financial Institutions Examination Council has approved [revised examination procedures](#) for Regulation Z—Truth in Lending. The procedures include regulatory changes effective Aug. 22, 2010, which establish guidelines for institutions to determine the reasonableness of credit card penalty fees and require credit card issuers to reevaluate interest rate increases imposed on consumers since Jan. 1, 2009. These revised examination procedures supersede all previous procedures and are transmitted by the Federal Reserve Board under Consumer Affairs Letter (CA) 10-10.

*Annual adjustment of fee-based
trigger for Regulation Z rises*

Effective Jan. 1, 2011, the dollar amount of the [fee-based trigger](#) for which additional disclosures are required under Regulation Z will rise to \$592. The Home Ownership and Equity Protection Act of 1994 restricts credit terms such as balloon payments and requires additional disclosures when total points and fees payable by the consumer exceed the fee-based trigger or 8 percent of the total loan amount, whichever is larger.

Interim rule postpones gift card provisions under certain conditions

The Federal Reserve Board of Governors has issued an [interim final rule](#) as required by Public Law 111-209 that postpones compliance with the gift card provisions in the Credit Card Accountability, Responsibility and Disclosure Act if certain conditions are met.

For gift certificates, store gift cards and general-use prepaid cards produced prior to April 1, 2010, the legislation and interim final rule delay the Aug. 22, 2010, effective date of these disclosures until Jan. 31, 2011. However, issuers may not impose an expiration date on the cards, must replace cards as requested, free of charge, and must place additional disclosures in stores where the cards are sold and on card issuer websites. The Board is also requesting comments on the interim rule, which should be submitted by Sept. 16, 2010.

Kansas City Fed hosting Accounting/Auditing Roundtables

The Supervision and Risk Management Division of the Kansas City Fed is hosting the 18th annual Accounting/Auditing Roundtables during the week of Nov. 15 in Kansas City and Denver. Registrations will be accepted from mid-September through the end of October.

The primary goal of the roundtables is to share knowledge about issues arising from accounting pronouncements, banking legislation and examination experiences, while enhancing communication among participants. A representative from the accounting policy and disclosure function at the Federal Reserve's Board of Governors will participate in the discussions.

The roundtable is intended for bankers and accounting and auditing professionals with responsibility involving financial reports or audit for the banking organizations. For the agenda and more information, visit the [Accounting/Auditing Roundtable website](#), or contact [Lisa Aquino](#) at (800) 333-1010, ext. 12494, or [Anita Feemster](#) at (800) 333-1030, ext. 38603.

Rules regarding consumer notification of mortgage loan sales or transfers issued

The Federal Reserve Board of Governors issued a [final rule](#) to Regulation Z to implement the statutory amendment requiring that notice be given to consumers when their mortgage loan has been sold or transferred. The disclosure requirement became effective immediately upon enactment of the Helping Families Save Their Homes Act in May 2009. Under that Act, a purchaser or assignee that acquires a mortgage loan must provide the required disclosures in writing within 30 days.

The Board issued an interim final rule providing guidance on meeting this requirement on Nov. 16, 2009, and has now finalized this rule with a few minor modifications. The mandatory compliance date is Jan. 1, 2011, and institutions may continue to follow the guidance in the November 2009 interim rule until this mandatory compliance date.

Final rule issued to protect mortgage borrowers from compensation practices

The Federal Reserve Board has issued a **final rule** under Regulation Z to address the practice of tying loan originator compensation to the interest rate paid by the borrower. Under the final rule, a loan originator may not receive compensation that is based on the interest rate or other loan terms.

The final rule also prohibits a loan originator who receives compensation directly from the consumer from also receiving compensation from the lender or another party. Additionally, the final rule prohibits loan originators from directing or “steering” a consumer to accept a mortgage loan that is not in the consumer’s interest in order to increase the originator’s compensation. The final rules are effective April 1, 2011.

Rules finalized to implement SAFE Act requirements

The federal financial regulatory agencies have issued **final rules** to implement the requirements of the Secure and Fair Enforcement for Mortgage Licensing (SAFE) Act of 2008. The final rules establish the registration requirements for residential mortgage loan originators employed by agency-regulated institutions and requirements for these institutions, including the adoption of policies and procedures to ensure compliance with the SAFE Act and final rules. The final rules also require that each residential mortgage loan originator obtain a unique identifier through the registry that will remain with that residential mortgage loan originator, regardless of changes in employment. Under the final rules, registered mortgage loan originators and agency-regulated institutions must provide these unique identifiers to consumers.

The final rules take effect on Oct. 1, 2010. The agencies anticipate that the registry could begin accepting federal registrations as early as Jan. 28, 2011. Employees of agency-regulated institutions must not register until the agencies instruct them to do so. The agencies will provide an advance announcement of the date when the registry will begin accepting federal registrations, and agency-regulated institutions and their applicable employees will have 180 days from that date to comply with the initial registration requirements.

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