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FEDERAL RESERVE BANK of KANSAS CITY

MANUFACTURING GROWTH REBOUNDS

The [monthly manufacturing survey](#) for the Tenth Federal Reserve District was released Feb. 22. The survey asks plant managers about a variety of manufacturing indicators. The information is compiled into a snapshot of manufacturing in the District.

Manufacturing activity growth rebounded strongly in February, and expectations for future factory hiring and capital spending rose as well. The majority of price indexes in the survey increased moderately for the second straight month, largely because of rising food prices.

FARM INCOME REBOUNDS

The quarterly [Survey of Agricultural Credit Conditions](#) for the Tenth Federal Reserve District was released Feb. 22. The results of this survey of agricultural banks in the District summarize several indicators of farm financial conditions.

According to the recent survey results, farm income rebounded in the fourth quarter of 2006, but gains were not evenly distributed geographically or across agricultural sectors.

LATEST *ECONOMIC REVIEW* AVAILABLE

The [first quarter issue](#) of *Economic Review* is now available, featuring the three articles below.

“Communicating a Policy Path: The Next Frontier in Central Bank Transparency?” by George A. Kahn surveys current central bank practices relating to transparency and the future path of the policy rate.

In “What Happened to the Gains from Strong Productivity Growth?” Jonathan Willis and Julie Wroblewski find that, at most, only the top 10 percent of U.S. households have seen incomes that keep pace with productivity growth.

“Will Energy Markets Refuel the Rural Economy?” by Jason Henderson and Maria Akers reviews the state of the rural economy and explores rural prospects for 2007, including the influences of robust energy activity.

REGULATORY
DEVELOPMENTS

*Reminder of supervisory guidance
regarding Hurricane Katrina*

On Feb. 5, the federal financial institutions regulatory agencies and the state supervisory authorities in Alabama, Louisiana and Mississippi jointly issued a **reminder of supervisory guidance** for financial institutions affected by Hurricane Katrina. The agencies emphasize that institutions retain the flexibility to work with their borrowers who may need additional time to resolve financial uncertainties related to the effects of the hurricane. The Federal Reserve issued this statement under Supervision and Regulation Letter 07-3.

*Proposed supervisory guidance
for Basel II*

The federal bank and thrift regulatory agencies announced on Feb. 15 that they will seek public comment on three **proposed supervisory guidance documents** related to the September 2006 notice of proposed rulemaking (NPR) on new risk-based capital requirements, known as Basel II. The September 2006 NPR detailed the agencies' proposal for implementing the new capital framework issued by the Basel Committee on Banking Supervision in 2004. The Basel II NPR includes requirements that banking organizations would need to satisfy to calculate their risk-based capital under the proposed new capital framework.

The proposed supervisory guidance provides information to assist bankers, as well as supervisors, in addressing the Basel II qualification requirements. Two of the proposed documents relate to the Basel II advanced approaches for calculating risk-based capital requirements: the advanced internal ratings-based approach for credit risk and the advanced measurement approaches for operational risk. The third document proposes guidance on the Basel II supervisory review process for assessing capital adequacy.

*Alert regarding instances
of questionable
homeowner solicitations*

On Feb. 16, the Federal Reserve issued an **alert to the public** on instances of questionable solicitations directed at homeowners. The Federal Reserve has received inquiries and complaints from recipients of direct-mail solicitations that suggest there is a "Community Reinvestment Act (CRA) program" that entitles certain homeowners to case grants or equity disbursements.

Some of these solicitations may be read to indicate that the Federal Reserve endorses or supports the offers they contain. These solicitations appear to be a deceptive effort to encourage consumers to apply for a mortgage loan secured by the consumer's home.

The Federal Reserve cautions the public about loan solicitations or other offers from lenders or mortgage brokers that offer consumers cash grants or equity disbursements as part of a "CRA program." No such federal programs exist, and these programs are not required by the CRA.

The Federal Reserve is also advising consumers that it does not endorse or sponsor mortgage loan programs. Individuals who are considering taking out a loan using their house as security are urged to shop around. An online interagency pamphlet, "**Looking for the Best Mortgage: Shop, Compare, Negotiate.**" contains useful information about shopping for home loans.

More regulatory developments

To see more regulatory developments, go to the [Banking Information page](#) on our Web site and click “Regulations/Guidance” in the left column.

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