



# fed LETTER

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

June 2008

FEDERAL RESERVE BANK of KANSAS CITY

## TENTH DISTRICT MANUFACTURING ACTIVITY SLUGGISH OVERALL

The monthly manufacturing survey for the Tenth Federal Reserve District was released May 29. The survey asks plant managers about a variety of manufacturing indicators. The information is compiled into a snapshot of manufacturing activity in the Tenth District.

Overall Tenth District manufacturing activity was sluggish in May, though export activity was strong, and firms' expectations for future factory activity remained generally positive. Price pressures intensified, with continued increases in raw materials prices and a notable uptick in finished goods prices.

## AG CREDIT SURVEY FINDS ROBUST INCOMES, RISING INPUT COSTS

The first quarter 2008 Survey of Tenth District Agricultural Credit Conditions was released May 14. The survey of District agricultural banks summarizes several indicators of farm financial conditions, including farmland values, interest rates on farm loans, credit supply and demand, and farm commodity prices.

In the latest survey, bankers reported robust farm incomes in the first quarter, but fewer expected farmers to earn higher incomes in coming months, with rising input costs and losses among livestock producers. Farmland values continued to boom in the first quarter, with District cropland values remaining roughly 20 percent above year-ago levels.

## SUBPRIME LOAN REPORT FOR JOPLIN RELEASED

The Federal Reserve Bank of Kansas City is producing a number of reports examining subprime mortgage trends in metropolitan areas around the Tenth District.

A report examining the subprime loan market in Joplin, Mo., was released June 2. The report found the number of foreclosures in the Joplin area in 2007 was low compared to the nation overall, among other trends.

WELCOME, NEW STATE  
MEMBER BANK

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

Prime Bank                      Edmond, Oklahoma                      April 7, 2008

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REGULATORY  
DEVELOPMENTS

*Proposed rules regarding credit cards  
and overdraft services issued*

On May 2, the Board of Governors of the Federal Reserve System (the Board) issued **three proposals for comment** to prohibit unfair and deceptive practices in connection with credit card accounts and overdraft services for deposit accounts. The deadlines for comment for the proposed rules are **Aug. 4, 2008**, for the proposed changes to the Board's Unfair or Deceptive Acts or Practices (Regulation AA) and **July 18, 2008**, for the proposed rules under the Truth in Lending Act (Regulation Z) and for the proposed changes to the Truth in Savings Act (Regulation DD).

The proposed changes to Regulation AA focus on addressing unfair or deceptive acts or practices in credit card plans and in connection with a bank's payment of overdrafts on a deposit account. The credit card provisions are intended to enhance protections for consumers who use credit cards. The proposed rules:

- Stipulate the conditions under which rate increases may be imposed on existing balances;
- Prohibit banks from treating a payment as late unless the consumer has been provided time to make that payment;
- Prohibit banks from applying payments in excess of the minimum to the lowest balances first to maximize interest charges;
- Prohibit banks from imposing interest charges using the "two-cycle" method;
- Prohibit the issuance of cards where a majority of the credit limit is extended at origination by account fees; and
- Require depository institutions to provide consumers an opportunity to opt out of an institution's automatic payment of overdrafts on deposit accounts before a fee is imposed on the consumer.

The proposed rules under Regulation Z and DD are complementary to the Regulation AA rules and relate to the crediting of credit card payments and the disclosure of overdraft fees on deposit accounts.

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*List of distressed or underserved  
nonmetropolitan middle-income  
geographies released*

The federal bank and thrift regulatory agencies **announced on May 30** the availability of the 2008 list of distressed or underserved nonmetropolitan middle-income geographies that are eligible to receive Community Reinvestment Act (CRA) consideration for bank community development revitalization or stabilization activities. Geographies are designated as "distressed nonmetropolitan middle-income geographies" and "underserved nonmetropolitan middle-income geographies" by the agencies in accordance to the agencies' CRA considerations. The 2008 list and lists from previous years can be found on the **Federal Financial Institutions Examination Council Web site**.

*Rules on fair credit reporting risk-based pricing notices proposed*

On May 8, the Federal Reserve Board and the Federal Trade Commission published for comment **proposed regulations** that would require creditors to provide consumers a risk-based pricing notice when a creditor uses a consumer report to grant or extend credit to a consumer on terms less favorable than the terms it grants or extends to other consumers.

The proposed rules would apply to all creditors that engage in risk-based pricing, requiring that the notice be provided to the consumer after the terms have been set but before the consumer becomes contractually obligated on the credit transaction. The proposed rules offer two approaches that may be used to identify consumers who must receive risk-based pricing notices and include certain exemptions to the notice requirement, including allowing creditors to provide credit scores and explanations of disclosure to all of their consumers in lieu of providing a risk-based pricing notice to select consumers.

The proposal would implement sections of the Fair and Accurate Credit Transactions Act of 2003, which amends the Fair Credit Reporting Act. Comments must be received on or before **Aug. 18, 2008**.

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*Final illustrations of hybrid ARM products released*

On May 22, the federal financial regulatory agencies released the **final illustrations of certain hybrid adjustable-rate mortgage (ARM) products**. The illustrations support the implementation of the consumer protection section of the July 10, 2007 Statement on Subprime Mortgage Lending (Subprime Statement) by assisting institutions in providing information on the benefits and risks of hybrid ARM products to consumers in a clear, balanced and timely manner.

The illustrations, which will be available as four documents on the agencies' websites for downloading and printing, contain an explanation of specific features of products covered by the Subprime Statement and three charts with examples of the potential payment shock than can accompany these types of loans. Institutions are not required to use the illustrations.

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