



# fed LETTER

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

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FEDERAL RESERVE BANK of KANSAS CITY

## SURVEY SHOWS FARMLAND STABILIZATION

Farmland values appeared to stabilize in the first quarter of 2009, according to the Kansas City Fed's [Survey of Agricultural Credit Conditions](#). The survey of 255 bankers also found that softer farm incomes slowed capital spending, and turbulent agricultural and macroeconomic conditions contributed to tighter agricultural credit conditions.

The agricultural banks participating in the quarterly survey are those with a greater percentage of agricultural loans in their loan portfolios than the national average of approximately 15 percent. Survey results summarize several indicators of farm financial conditions, including farmland values, interest rates on farm loans, credit supply and demand, and farm commodity prices.

## TENTH DISTRICT MANUFACTURERS EXPECT STEADY CONDITIONS

Manufacturing activity declined only slightly in May, and firms generally expect steady conditions heading forward, according to the Kansas City Fed's latest [Survey of Tenth District Manufacturing](#). Price indexes in the survey, released May 28, indicated continued declines in both materials and finished goods prices.

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.

## LOOKING BACK AND LOOKING AHEAD IN THE PAYMENTS ARENA

In the latest issue of *Payments System Research Briefing*, "[A Backward Glance While Looking Forward](#)," Payments System Research Specialist Terri Bradford takes a look back at some emerging payments nearly a decade after their introduction, examines their status today and looks at where they may be heading.

SPRING ISSUE OF *TEN*  
MAGAZINE DISSECTS RECESSIONS

We know what it feels like to be in the midst of one, but what actually is a recession and how is it officially determined? The spring issue of *TEN*, “[Recessions 101: When is a downturn a recession?](#)” explains the process and how the current situation compares historically.

The issue also includes feature articles on: the evolution of e-banking; the buying and selling of water rights; the role of Fed governors and presidents on the Federal Open Market Committee; the importance of this region in the global economy; and the debut of “Common Cents,” a column that includes tips to help kids save money. This issue also includes the Kansas City Fed’s annual report.

*TEN* is made up of stories that highlight Kansas City Fed research and practices through the experiences of everyday people from around the Tenth District.

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*MAIN STREET ECONOMIST*  
EXAMINES PROSPECTS FOR AN  
AG REBOUND

Recession has weighed heavily on the demand for agricultural products, leading to sharply lower agricultural commodity prices. In the latest edition of the *Main Street Economist*, Vice President and Omaha Branch Executive Jason Henderson explores when demand may bounce back for U.S. agricultural products and if the bounce will be strong enough to spark another farm boom.

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*NEW ECONOMIC REVIEW*  
RESEARCH ANALYZES REGIONS’  
RESPONSES TO RECESSIONS

While the United States officially entered a recession in December 2007, the downturn has affected regions of the country differently. In a second quarter *Economic Review* article, “[Recession and Recovery Across the Nation: Lessons from History](#),” Chad Wilkerson, vice president and Oklahoma City Branch executive, finds that the timing and depth of regional recessions typically vary widely, with several Fed districts regularly outperforming others.

The *Economic Review* is a quarterly research publication with articles by Kansas City Fed staff on issues of relevance to the Federal Reserve, including macroeconomics and monetary policy, regional and international economics, banking, financial markets, and payments systems.

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REGULATORY  
DEVELOPMENTS  
*Regulation Z rules include  
Mortgage Disclosure Improve-  
ment Act requirements*

On May 8, the Federal Reserve Board announced **final rules** that amend Regulation Z to implement requirements imposed by the Mortgage Disclosure Improvement Act (MDIA) enacted in July 2008.

The final rules further expand some of the disclosure requirements included in the July 2008 Regulation Z final rules. The early disclosure requirements are now applicable to all dwelling-secured loans, even when the dwelling is not the consumer's principal dwelling. In addition, creditors must mail or deliver the early disclosures at least seven business days before loan consummation. If the annual percentage rate contained in the early disclosures becomes inaccurate, creditors must "redisclose" and provide corrected disclosures that the consumer must receive at least three business days before loan consummation.

These provisions, as well as the previously amended requirement for creditors to provide early disclosures to the consumer before collecting any fees, except for credit report fees, are effective for applications received on or after July 30, 2009.

*Final amendments to  
Regulation D announced*

On May 20, 2009, the Federal Reserve Board announced **amendments to Regulation D**, Reserve Requirements of Depository Institutions. The amendments authorize the establishment of limited-purpose accounts at Federal Reserve Banks, called excess balance accounts, for the maintenance of excess balances of interest-eligible institutions, effective July 2, 2009. The authorization of excess balance accounts is intended to address pressures on correspondent-respondent business relationships in the current interest rate environment. As market conditions evolve, the Board will evaluate the continuing need for excess balance accounts.

An excess balance account is an account at a Federal Reserve Bank established for one or more institutions (participants) that must be eligible to earn interest on balances held at the Federal Reserve Banks. Each participant must authorize another institution, which may be its correspondent, to manage the excess balance account on its behalf. Each participant and agent must execute an Excess Balance Account Agreement.

The Federal Reserve Bank pays interest on the average aggregate balance maintained in the excess balance account over a one-week reserve maintenance period. Each participant instructs its agent with respect to disbursing the interest earned on its behalf. Only excess balances of participants may be placed in an excess balance account; funds in the account do not satisfy reserve balance requirements or contractual clearing balances for either participants or agents.

The Board also has revised Regulation D's restrictions on the types and number of transfers and withdrawals that may be made from savings deposits. The final amendments increase from three to six the permissible monthly number of transfers or withdrawals from savings deposits by check, debit card or similar order payable to third parties.

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