



# fed LETTER

Colorado \* Kansas \* Missouri \* Nebraska \* New Mexico \* Oklahoma \* Wyoming

May 2007

FEDERAL RESERVE BANK of KANSAS CITY

ANNUAL REPORT  
RELEASED IN LATEST *TEN*  
MAGAZINE

The spring issue of *TEN*, the Federal Reserve Bank of Kansas City's quarterly magazine, examines workforce challenges the growing minority population faces now and in the future. Find out what types of jobs have the highest minority concentration and what may bolster career prospects.

Other feature articles include: increased home lending in low- and moderate-income areas and how communities reap the benefits; middle-income households may see a sharp tax increase in the coming years after experiencing 25-year lows; and the ATM and debit cards industries move in opposite directions.

This edition also contains the Federal Reserve Bank of Kansas City's 2006 Annual Report.

For a free subscription to the print version, register on the [TEN page](#) of our Web site or call 816-881-2683.

MANUFACTURING SURVEY  
AVAILABLE

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The monthly manufacturing survey for the Tenth Federal Reserve District was released April 26. 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 rebounded strongly in April, and expectations for future factory activity remained high following a strong increase last month. The price indexes in the survey were largely unchanged, with raw materials price indexes easing somewhat and finished goods price indexes rising only slightly.

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## BEIGE BOOK RELEASED

The [latest edition](#) of the Beige Book was released April 25. The Beige Book is a summary of current economic conditions in each Federal Reserve District.

Most districts noted only modest or moderate expansions in economic activity since the previous report. Labor market conditions continued to tighten in most districts, especially for skilled occupations. The Tenth District economy expanded moderately in March and early April. Consumer spending rebounded after slowing earlier in the year, and labor markets expanded solidly. Agricultural conditions also improved, and commercial real estate activity increased.

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## LATEST *MAIN STREET* *ECONOMIST* AVAILABLE

The [newest issue](#), “Will the Rebound in Farm Financial Conditions Continue?” was released April 30.

Authors Jason Henderson and Maria Akers find that as strong ethanol demand fuels a sharp rise in crop prices, rural America is cautiously optimistic for 2007. The optimism is tinged with uncertainty.

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## HOLIDAY REMINDER

The Federal Reserve will be closed **Monday, May 28, 2007**, for Memorial Day. The FRB Services Web site features a [full listing](#) of all holidays observed by the Federal Reserve.

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## WELCOME, NEW STATE MEMBER BANK

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

CoBiz Bank                      Denver, Colo.                      April 13

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## REGULATORY DEVELOPMENTS *Expanded examination cycle*

On April 3, the federal bank and thrift supervisory agencies requested public comment on [proposed interim rules](#) expanding the range of small institutions eligible for an extended 18-month on-site examination cycle. The proposed interim rules allow well-capitalized and well-managed banks and savings associations with up to \$500 million in total assets and a composite CAMELS rating of 1 or 2 to qualify for an 18-month (rather than a 12-month) on-site examination cycle. Previously banks eligible for the expanded cycle were those with less than \$250 million in total assets. The proposed interim rules, which were effective on April 10, implement section 605 of the Financial Services Regulatory Relief Act of 2006 and related provisions from the International Banking Act, both of which are already effective.

Comments on the interim rules are due by **May 10**.

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*Sound practices concerning  
complex structured  
finance activities*

The Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the Securities and Exchange Commission recently issued the *Interagency Statement on Sound Practices Concerning Elevated Risk Complex Structured Finance Activities*. The Federal Reserve issued this statement under **Supervision and Regulation (SR) Letter 07-5** on April 17.

The statement is supervisory guidance that addresses risk management principles that should assist financial institutions in identifying, evaluating and managing the heightened legal and reputational risks that may arise from their involvement in complex structured finance transactions (CSFTs). Because CSFTs are typically conducted by a limited number of large financial institutions, the statement will not affect or apply to the vast majority of financial institutions, including most small institutions.

*Statement on working with  
mortgage borrowers*

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On April 17, the Federal Reserve and the other federal financial institutions regulatory agencies issued staff guidance to encourage supervised institutions to work constructively with homeowners who are financially unable to continue meeting their mortgage payments. The Federal Reserve also issued this staff guidance under **Supervision and Regulation (SR)/Consumer Affairs (CA) Letter 07-6/07-1** on April 17.

In situations where borrowers are no longer able to service their monthly mortgage payments, the agencies wish to encourage financial institutions to consider prudent workout arrangements that are consistent with safe and sound lending practices.

*Delayed implementation  
of revised Suspicious  
Activity Report*

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On April 26, the Financial Crimes Enforcement Network (FinCEN) announced the **delayed implementation** of certain revised Suspicious Activity Report (SAR) forms that were scheduled to become effective on June 30, 2007. The agency is withdrawing this effective date for the revised SAR forms for depository institutions, among others. FinCEN will establish new effective and mandatory compliance dates for these revised forms in a future notice.

The delay does not impact ongoing suspicious activity reporting, and financial institutions should continue filing using the current SAR forms.

The delay in implementing the revised SAR forms relates to programming issues within FinCEN's overall data quality management program and its information-technology modernization strategy.

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*Proposed amendments to  
five consumer financial services  
and fair lending regulations*

The Federal Reserve on April 20 requested public comment on **proposed amendments** to Regulations B, E, M, Z and DD to clarify the requirements for providing consumer disclosures in electronic form. In 2001, the Board published interim final rules to establish uniform standards for the electronic delivery of disclosures. However, the mandatory compliance date for these rules was later lifted, and institutions are not required to comply with the interim final rules.

This proposal would simplify the Board's rules by: 1) withdrawing certain portions of the 2001 interim final rules that restate or cross-reference provisions of the Electronic Signatures in Global and National Commerce Act (E-Sign Act) and accordingly are unnecessary; 2) withdrawing provisions of the interim rules that may impose undue burdens on electronic banking and commerce and may be unnecessary for consumer protection; and 3) retaining certain provisions of the interim final rules that provide guidance on the use of electronic disclosures.

The proposal would also implement certain provisions of the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, which mandates certain disclosures for online credit card solicitations.

Comments on the proposal are due by **June 29**.

*More regulatory developments*

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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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