



fed LETTER

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FEDERAL RESERVE BANK of KANSAS CITY

LOCAL EXECUTIVE NAMED TO BANK'S ECONOMIC ADVISORY COUNCIL

The Federal Reserve Bank of Kansas City announced on Oct. 11 that Larissa Herda has been named to its Economic Advisory Council. Herda is chairman, president, and chief executive officer of Time Warner Telecom in Littleton, Colo., and will serve a three-year term on the Council.

The Council, which includes representatives from business and labor sectors within the Tenth District, meets twice annually with Bank President Thomas M. Hoenig to discuss the regional economy.

FALL ISSUE OF *TEN* AVAILABLE

The **new issue** of *TEN*, the quarterly magazine of the Federal Reserve Bank of Kansas City, has been released. The fall issue explores the effect universities have on patent development in nonurban areas. Other feature articles include debit and credit card reward programs and the loyalty they entice; entrepreneurial success thanks to regional partnerships; the flow of cash and coin; and a look at the 12-bank structure of the Federal Reserve System.

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

MANUFACTURING SURVEY RELEASED

The **monthly manufacturing survey** for the Tenth Federal Reserve District was released Oct. 26. The survey asks plant managers about a variety of manufacturing indicators. The information is compiled into a snapshot of manufacturing in the District.

Growth in manufacturing activity in the District remained somewhat sluggish in October, and plant managers expressed less optimism about near-term output than in previous surveys. However, factory activity was still well above year-ago levels, and capital spending plans remained solid. Materials price pressures continued to ease, but a sizable number of firms planned to continue raising finished goods prices.

BEIGE BOOK RELEASED

The [latest edition](#) of the Beige Book was released Oct. 12. The Beige Book is a summary of current economic conditions in each Federal Reserve District.

Reports indicate that economic activity continued to expand. Four Districts reported that economic growth firmed while a couple of Districts noted that growth cooled. Other reports generally characterized growth as moderate or mixed.

HOLIDAY REMINDER

The Federal Reserve will be closed **Thursday, Nov. 23, 2006**, for Thanksgiving. The FRB Services Web site features a [full listing](#) of all holidays observed by the Federal Reserve.

REGULATORY DEVELOPMENTS

Guidance on nontraditional mortgage products

On Sept. 29, the federal financial institutions regulatory agencies issued their *Interagency Guidance on Nontraditional Mortgage Product Risks*. This guidance addresses both risk management and consumer disclosure practices that institutions should employ to effectively assess and manage the risk associated with certain residential mortgage loans. These loans, referred to as nontraditional mortgage loans, allow borrowers to defer repayment of principal and sometimes interest. The agencies also issued an addendum to the 2005 *Interagency Credit Risk Management Guidance for Home Equity Lending*. The Federal Reserve has issued this guidance and addendum under its [Supervisory Letter SR 06-15/CA 06-12](#).

Consumer information on non- traditional mortgage loans

On a related note, the federal bank, thrift, and credit union regulatory agencies published on Oct. 18 a new resource that can help consumers make more informed choices when considering nontraditional mortgage loans. [Interest-Only Mortgage Payment and Payment-Option ARMS—Are They for You?](#) features a glossary of lending terms, a mortgage shopping worksheet, and a list of additional information sources. This information can help consumers, whether buying a house or refinancing a mortgage, decide if an interest-only mortgage or an adjustable-rate mortgage with the option to make a minimum payment is right for them.

The publication stresses the importance of understanding key mortgage loan terms, warns of the risks consumers may face, and urges borrowers to be realistic about whether they can handle future payment increases. If consumers are not comfortable with these risks, then the publication suggests that they ask about other mortgage products.

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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