



fed LETTER

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

April 2008

FEDERAL RESERVE BANK of KANSAS CITY

MANUFACTURING SURVEY RELEASED

The monthly manufacturing survey for the Tenth Federal Reserve District was released March 27. 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.

Tenth District manufacturing activity declined somewhat in March, and firms' expectations for future factory activity weakened but still called for modest overall expansion in coming months. Price pressures intensified, due to higher raw materials and transportation costs, and producers indicated more price pass-through than in recent months.

FIRST QUARTER *ECONOMIC REVIEW* NOW AVAILABLE

The first quarter issue of *Economic Review* is available, featuring the following articles.

“Maintaining Stability in a Changing Financial System: Some Lessons Relearned Again?” by Thomas M. Hoenig, President and CEO of the Federal Reserve Bank of Kansas City, uses the recent subprime mortgage crisis to discuss how we can maintain financial stability in a changing financial system.

“Has the Behavior of Inflation and Long-Term Inflation Expectations Changed?” by Todd E. Clark and Taisuke Nakata finds some evidence that the dynamics of inflation and long-term inflation expectations have changed modestly.

“PCE and CPI Inflation Differentials: Converting Inflation Forecasts” by Craig S. Hakkio estimates a set of models that analysts can use to make conversions between the quarterly PCE inflation forecasts the Federal Reserve has announced it will release and the CPI inflation forecasts released by various other organizations.

**BANK OFFERS U.S.
CURRENCY EXHIBIT**

A traveling exhibit detailing the history of U.S. currency is now available for loan to financial institutions in the Tenth Federal Reserve District.

The display traces currency from the colonial period through present day, focusing on currency of major historical significance, including state bank notes, fractional notes and gold certificates. The display also features silver and gold coins, Confederate notes and demand notes—the currency which led some people to refer to bills as “greenbacks.”

There is no charge for the exhibit, but each participating institution will be responsible for paying shipping costs for transporting the exhibit to the next location. It is shipped in two cases and, once assembled, weighs about 130 pounds.

It is recommended that those interested in the exhibit have an open area of approximately 6-feet-by-6-feet for the display.

To reserve the exhibit, contact the Public Affairs Department at 800-333-1010, ext. 12683. The exhibit is available on a first-come, first-served basis.

**WELCOME, NEW STATE
MEMBER BANKS**

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

Union Bank	Oklahoma City, Oklahoma	February 22
Tri-County Bank	Cheyenne, Wyoming	March 31
Platte Valley Bank	Scottsbluff, Nebraska	March 31
Platte Valley Bank	Torrington, Wyoming	March 31

**REGULATORY
DEVELOPMENTS**

*Proposed revisions to interagency flood
insurance questions and answers*

On March 21, the federal bank, thrift, credit union and Farm Credit System regulatory agencies requested public comment on **proposed revisions to the Interagency Questions and Answers Regarding Flood Insurance**. The new and revised guidance has been prepared to assist financial institutions meet their responsibilities under federal flood insurance legislation and to increase public understanding of their flood insurance regulations. The proposed revisions address the most frequently asked questions and answers about specific areas of flood insurance including construction loans, condominiums, second lien mortgages, the imposition of civil money penalties and loan syndications.

The agencies invite comment on the proposed changes, and more generally, on other issues regarding compliance with the federal flood insurance statutes and regulations. Comments are due **May 20**.

*FFIEC business continuity
planning booklet*

The Board of Governors of the Federal Reserve System issued **Supervision and Regulation Letter 08-3** on March 19 announcing the Federal Financial Institutions Examination Council's (FFIEC) release of an update to the Business Continuity Planning Booklet. This booklet contains updated guidance for examiners, financial institutions, and technology service providers to identify business continuity risks and evaluate controls and risk management practices for effective business continuity planning. The updated guidance stresses the responsibilities of each financial institution's board and management to address business continuity planning by considering technology, business operations, communications and testing strategies for the entire institution.

HUD proposes mortgage reform

On March 14, the U.S. Department of Housing and Urban Development (HUD) announced a **new proposal** to reform the Real Estate Settlement Procedures Act (RESPA) to help consumers better understand their loans and make it easier to shop for lower costs. Changes to RESPA include improvements on disclosure of loan terms and closing costs consumers pay when they buy or refinance their home. Also, the notice contains a proposed standard estimate for consumers to use to evaluate a potential loan by calculating the interest rate and monthly rate and determining whether the interest rate and principal balance can increase, and by how much, and whether the loan has a prepayment penalty or balloon payment.

*Maps of regional subprime loan
conditions are now available*

The Federal Reserve System announced in a **press release dated April 1** the availability of illustrations of subprime and alt-A mortgage loan conditions across the United States. The set of maps and data that illustrate the regional variations of securitized, owner-occupied subprime, and alt-A mortgage loan conditions are maintained by the Federal Reserve Bank of New York and can be used to identify existing and potential regions of increased foreclosure activity.

FED LETTER • APRIL 2008

Fed Letter is published by the Federal Reserve Bank of Kansas City,
1 MEMORIAL DRIVE, Kansas City, Missouri, 64198-0001, (800) 333-1010.

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