



# fed LETTER

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

November 2008

FEDERAL RESERVE BANK of KANSAS CITY

## DISTRICT MANUFACTURERS REPORT SHARP DECLINE IN ACTIVITY

Tenth District manufacturing activity declined sharply in October, and firms' expectations about future factory activity weakened further, according to the latest [Survey of Tenth District Manufacturing](#), which was released Oct. 30.

Price indexes in the survey also fell considerably, though more firms continued to plan price increases heading forward than planned price decreases.

The monthly survey asks plant manufacturers about a variety of manufacturing indicators. The information is compiled into a snapshot of manufacturing activity in the Tenth District.

## FEDERAL RESERVE BANKS COLLABORATE ON POVERTY REPORT

In partnership with the Brookings Institution, the Community Affairs offices of the Federal Reserve System have produced a report entitled "[The Enduring Challenge of Concentrated Poverty in America: Case Studies from Communities Across the U.S.](#)"

The report includes profiles of 16 communities across the country, including an in-depth examination of poverty in [McKinley County](#), New Mexico, which was produced by the Federal Reserve Bank of Kansas City.

## MAIN STREET ECONOMIST EXAMINES ENERGY'S IMPACT ON FARM BOOM

While farm incomes are expected to reach their highest levels in more than three decades and profits are soaring, energy prices continue to march higher.

The latest issue of *The Main Street Economist*, "[Are Energy Prices Threatening the Farm Boom?](#)" by Omaha Branch Executive Jason Henderson, explores whether soaring energy prices threaten to slow the booming farm economy.

FORECLOSURE MITIGATION  
TOOLKIT OFFERS COMMUNITY  
RESOURCES

The Fed is collaborating with other regulators, community groups, policy organizations, financial institutions and public officials to identify solutions to prevent unnecessary foreclosures and their negative effects. As part of this effort, the Fed has produced a [Foreclosure Mitigation Toolkit](#).

The goal of the toolkit is to provide resources to assist communities in addressing the current turmoil in the housing market and minimize the impact of foreclosures on neighborhoods. Web links and local resources are included.

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REGIONAL ECONOMIC  
INDICATORS UPDATED

The Bank has updated a number of [regional economic indicators](#) for the Tenth Federal Reserve District. The indicators, which include data on employment, construction activity and energy and natural resources, are available on a District or state level.

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NEW FEATURE ALLOWS  
RECEIPT OF ELECTRONIC  
COLLATERAL STATEMENTS  
VIA SECURE E-MAIL

The Federal Reserve System recently introduced a new feature that allows institutions to subscribe to receive collateral statements through secure e-mail. Collateral statement reports that are currently delivered through the United States Postal Service can now also be delivered through e-mail in a portable document format (pdf). Please contact the Credit and Risk Management Department staff at 1-800-333-2987 for more information.

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HOLIDAY REMINDER

The Federal Reserve Bank of Kansas City will be closed Nov. 11 for Veterans' Day and Nov. 27 for Thanksgiving. The FRB financial services website features a [complete listing](#) of holidays observed by the Federal Reserve.

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REGULATORY  
DEVELOPMENTS  
*Examination procedures for  
identity theft red flags and  
other regulations under the Fair  
Credit Reporting Act*

On Oct. 10, the Board issued [Consumer Affairs \(CA\) 08-10/ Supervision and Regulation \(SR\) 08-7](#), which contains recently approved Federal Financial Institutions Examination Council examination procedures for three provisions of the Fair Credit Reporting Act.

These procedures address regulatory requirements related to addressing discrepancies, identity theft red flags, and address changes for card issuers that were required by the Fair and Accurate Credit Transactions Act of 2004. Examiners will begin evaluating a financial institution's programs for these activities during the next regularly scheduled examination or supervisory cycle after the mandatory compliance date of Nov. 1, 2008. Financial institutions are expected to be in compliance with the rules by the compliance date.

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*Recent amendments to  
Regulation C issued*

On Oct. 20, the Federal Reserve Board approved final amendments to Regulation C that revise the rules for reporting price information on higher-priced mortgage loans.

The Regulation C changes conform the rate spread calculation and reporting requirements to the recent amendments regarding higher-priced mortgage loans under Regulation Z. Regulation C currently requires lenders to collect and report the spread between the annual percentage rate (APR) on a mortgage loan and the yield on a Treasury security of comparable maturity if the spread is greater than 3.0 percentage points for a first lien loan or greater than 5.0 percentage points for a subordinate-lien loan. This difference is known as a rate spread. Under the final rule, a lender will report the spread between the loan's APR and a survey-based estimate of APRs currently offered on prime mortgages of a comparable type ("average prime offer rate") if the spread is equal to or greater than 1.5 percentage points for a first lien loan or equal to or greater than 3.5 percentage points for a subordinate-lien loan.

The final rule is effective for applications received after Oct. 1, 2009. Additional information regarding the amended rule may be found at <http://www.federalreserve.gov/newsevents/press/bcreg/20081020b.htm>.

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