



fed LETTER

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

August 2008

FEDERAL RESERVE BANK of KANSAS CITY

MANUFACTURING SURVEY SHOWS REBOUND IN ACTIVITY

The **monthly manufacturing survey** for the Tenth Federal Reserve District was released July 31. 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.

According to the latest survey, Tenth District manufacturing activity rebounded considerably in July, although firms' expectations for future activity diminished slightly. Most price indexes remained near historically high levels, and plans for future pass-through of prices intensified.

BEIGE BOOK SUGGESTS REGIONAL ECONOMIC GROWTH MODERATED

The latest edition of the **Beige Book** was released July 23. The Beige Book is a summary of current economic conditions in each Federal Reserve District. Reports from the twelve Federal Reserve Districts suggest that the pace of economic activity slowed somewhat since the last report.

Economic growth in the Tenth District moderated slightly in June and early July. Most retailers reported flat, but weaker than expected sales. Manufacturing activity dipped in the period, but the outlook was relatively positive, given current conditions. The residential real estate sector remained depressed, but seemed to stabilize. Commercial real estate saw some improvement, but the outlook was modest.

The energy sector continued to boom and agricultural conditions were generally favorable despite severe storms. Prices for raw materials, including fuel, continued to increase significantly, and some of these costs were beginning to be passed through to finished products.

WELCOME, NEW MEMBER BANK

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

American State Bank & Trust Company Great Bend, Kan. July 1, 2008

SUMMER ISSUE OF *TEN*
MAGAZINE EXAMINES
DEFENSE SPENDING'S
REGIONAL IMPACT

The [summer issue of *TEN*](#) takes a look at the effects of national defense spending in the Tenth Federal Reserve District. The presence of military operations in the District—ranging from the fleet of “stealth” B-2 bombers at Whiteman Air Force Base in Missouri to the massive artillery school at Fort Sill in Oklahoma—accounts for a larger share of the economy than in the nation.

Also in this issue: Learn why we're seeing price increases in almost every aisle of the grocery store; read how one rural Kansas bank was able to expand without becoming a monopoly; get an overview of the Kansas City Fed's weeklong new building grand opening, which included a visit from Fed Chairman Ben Bernanke; and find out how millions of dollars moved from the old vault to the new one.

FEDERAL RESERVE BANK OF
KANSAS CITY LAUNCHES
FORECLOSURE RESOURCE
WEBSITE

The Federal Reserve Bank of Kansas City has collected several regional foreclosure resources to assist homeowners, lenders and community groups affected by foreclosure issues across the Tenth Federal Reserve District.

The [Foreclosure Resource Center](#) includes a schedule of upcoming local foreclosure mitigation events; links to consumer, lender and community group resources; and regulatory updates for financial institutions.

Other features of the site include presentations and maps detailing local data on delinquency and foreclosure trends in the subprime market and access to a dynamic map that offers numerous tools for examining nonprime mortgage conditions throughout the United States.

OMAHA SUBPRIME REPORT
RELEASED

The Federal Reserve Bank of Kansas City has produced a [number of reports](#) examining subprime mortgage trends in metropolitan areas around the Tenth District.

A report analyzing [subprime mortgage conditions in Omaha, Neb.](#), was released July 2. The report found that foreclosures increased 59.7 percent from 2006 to 2007 for the Omaha metropolitan area. In comparison, nationwide foreclosures rose 78 percent.

REGIONAL ECONOMIC
INDICATORS NOW AVAILABLE

A number of updated [economic indicators](#) for the Tenth District are now available on the Bank's website. The indicators, which are available for the entire region and individual states within the District, include statistics on employment, construction activity and energy prices.

MONEY MUSEUM OPENS FOR
GUIDED AND SELF-GUIDED
TOURS

The [Money Museum](#) at the Federal Reserve Bank of Kansas City's new headquarters is now open for walk-in and guided tours. The free museum offers numerous interactive exhibits that explore banking, the payments system and the impact of monetary policy decisions. Hours are Monday through Friday, 8:30 a.m. to 4:30 p.m.

Other highlights include a viewing area of one of the region's largest cash vaults, the famous Truman Coin Collection on loan from the Harry S. Truman Library, and numerous historical artifacts from the Bank's history.

For more details and to register for a group tour, visit the [Money Museum website](#).

**REGULATORY
DEVELOPMENTS**

Webcast seminars for FR 2900

*Data Reporting and Reserve
Maintenance available*

The statistics function of the Federal Reserve Bank of New York will host individual webcast training sessions for FR 2900 Data Reporting and Reserve Maintenance.

Topics for the FR 2900 Data Reporting seminar include an overview of FR 2900 reporting requirements, deposits vs. borrowings, a discussion of each line item, and other reporting issues. Topics for the Reserve Maintenance seminar include reserve and clearing balance requirements, as-of adjustments, account maintenance, and deficiency charges.

[Additional information](#) about the seminars, links to the PowerPoint slides and the webcast, and contact information is available on the Federal Reserve Bank of Kansas City's website.

*Processing of de novo bank
membership applications*

On July 10, the Board issued [Supervision and Regulation \(SR\) Letter 08-5](#), which outlines revisions to the membership application process for *de novo* banks. The revisions are an effort to streamline the applications process and enhance coordination with other regulatory agencies.

The revisions allow for *de novo* bank organizers to file for membership at the same time applications are filed with the applicable state banking agency and the Federal Deposit Insurance Corporation (FDIC). Earlier filing will allow closer coordination between the agencies and help to avoid duplicative requests for information. Also, applicants are encouraged to have fingerprint cards made for purposes of the Federal Reserve's name check process at the same time they are made for the FDIC and the state banking agency.

*Examination procedures for
Regulation DD updated*

On July 28, the Board issued [Consumer Affairs \(CA\) Letter 08-3](#), which incorporates recently approved Federal Financial Institutions Examination Council examination procedures for Regulation DD. The procedures incorporate final Regulation DD rules released in November 2007 with regard to the delivery of electronic disclosures.

In addition, the procedures address the Government Accountability Office (GAO) findings regarding the disclosure of bank fees. The procedures emphasize that account disclosures regarding the terms and fees of a deposit account should be provided to consumers at account opening as well as in conjunction with a request for account information. Bank employees also must be trained on the disclosure requirements of the regulation.

*Changes proposed to Regulation C –
Home Mortgage Disclosure*

In conjunction with the amendments to Regulation Z released on July 14, the Board proposes to [amend Regulation C](#) to revise the rules for reporting price information on higher-priced loans. The rate spread currently calculated and reported under Regulation C would be modified to be in conformance with the calculation of a higher-priced mortgage loan under Regulation Z. The comment period ends on August 29, 2008.

On July 14, the Federal Reserve Board (Board) released [a final rule](#) under the Home Ownership and Equity Protection Act (HOEPA) provisions of Regulation Z. The final rule aims to better protect consumers from unfair and deceptive acts and practices in mortgage lending and facilitate responsible lending.

This rule creates a newly defined category of “higher-priced mortgage loans” secured by a consumer’s principal dwelling. Loans in this category are provided with four key protections, including the requirement for a creditor to verify income and assets relied upon in determining the borrower’s repayment ability and to establish an escrow account for property taxes and insurance.

The final rule also provides additional protections for all loans secured by a consumer’s principal dwelling, including the requirement to provide a good faith estimate of loan costs, including a schedule of payments, within three days of the consumer’s application.

Lastly, the final rule establishes additional mortgage loan advertising requirements. Additional information about rates, monthly payments, and other loan features are now required. Seven misleading advertising practices are also banned. Compliance with the new rules generally takes effect on October 1, 2009. However, the escrow requirement has an effective date of April 1, 2010.

There is a transition deadline of March 31, 2009, for quantitative limits on restricted core capital elements, which includes trust preferred securities, in the calculation of tier 1 capital.

This rule, contained in [Regulation Y, Appendix A to Part 225](#) – Capital Adequacy Guidelines for Bank Holding Companies: Risk-Based Measure, became effective on April 11, 2005. The risk-based guidelines apply on a consolidated basis to any bank holding company with consolidated assets of \$500 million or more and to certain smaller bank holding companies as specified in Appendix A.

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