



# fed LETTER

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

July 2007

FEDERAL RESERVE BANK of KANSAS CITY

## FEDERAL RESERVE CHECK PROCESSING TO BE FURTHER STREAMLINED

On June 26, the Federal Reserve announced further streamlining of its check processing services. The changes reflect the continued transition in the nation to electronic payments, away from check and other paper-based payments methods.

Check processing operations at the Federal Reserve Bank of Kansas City's Denver Branch will be consolidated into the Dallas Federal Reserve Bank in second quarter 2010. Dallas is one of four Reserve Banks that will serve as regional sites providing a full range of check processing services for the Federal Reserve. The other sites are Atlanta, Cleveland and Philadelphia.

The [press release](#) from the Federal Reserve Financial Services further details the streamlining plan.

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## ONLINE MORTGAGE CALCULATOR AVAILABLE TO CONSUMERS

The Federal Reserve Board of Governors on June 19 announced the availability of an online [Mortgage Comparison Calculator](#) that consumers can use to compare monthly mortgage payments and the amount of equity they will build for up to six types of fixed- and adjustable-rate mortgages. The calculator is one of several resources the Board provides to help consumers make informed decisions when shopping for home loans.

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## MANUFACTURING SURVEY AVAILABLE

The monthly [manufacturing survey](#) for the Tenth Federal Reserve District was released June 28. 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 in the District slowed markedly in June, but producers remained generally optimistic about future factory activity. Most price indexes in the survey declined, with input price pressures easing and limited pass-through.

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**BOARD SEEKS NOMINEES  
FOR CONSUMER  
ADVISORY COUNCIL**

On June 15, the Federal Reserve Board of Governors announced it is **seeking nominations** for its Consumer Advisory Council. The Council, which meets three times a year in Washington, D.C., advises the Board on the exercise of its responsibilities under various consumer financial services laws and on other matters. Ten new members will be appointed to serve three-year terms beginning in January 2008.

Letters of nomination with complete information, including a résumé for each nominee, must be received by **Aug. 24, 2007**.

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**BEIGE BOOK RELEASED**

The latest edition of the **Beige Book** was released June 13. The Beige Book is a summary of current economic conditions in each Federal Reserve District.

Reports from all Districts indicated that economic activity continued to expand from mid-April through May. Seven, including the Tenth District, described growth as modest or moderate. In the Tenth District, high energy prices underpinned energy production, but limited consumer spending, especially for nonessential goods. Manufacturing production strengthened since the first quarter, and labor markets continued to expand at a solid pace. Input, wholesale and retail prices are expected to increase further in coming months.

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**AUDITOR AND ACCOUNTANT  
ROUNDTABLE SESSIONS**

The Federal Reserve Bank of Kansas City's Supervision and Risk Management (SRM) Division is hosting the 15th annual Auditor and Accountant Roundtable sessions for banking accountants.

The sessions will be Sept. 10 and 11 at the Bank's Denver Branch and Sept. 12 at the One Kansas City Place building in downtown Kansas City. During the roundtables, Board of Governor officials, SRM staff members and bank examiners will make presentations on emerging issues in accounting and auditing for financial institutions, followed by a question-and-answer session.

The topics of discussion should be of interest to chief financial officers, controllers, internal auditors and external auditors of banks and bank holding companies.

Invitations will be issued for the event, but, for further information, please contact Lisa Aquino at 800-333-1010, extension 2491, or Jane Padget at extension 2147.

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**NEW CONSUMER PROTECTION  
WEBSITE LAUNCHED**

As part of its ongoing commitment to consumer protection, the Federal Reserve Bank of Kansas City has launched a [Consumer Protection website](#).

The website offers a wealth of information on consumer rights and is designed to provide consumers with the tools they need to make informed banking decisions. Additionally, the site features answers to the most commonly asked consumer questions related to banking and includes a link allowing consumers to ask specific questions.

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**SUMMER ISSUE OF *TEN*  
MAGAZINE RELEASED**

The new issue of *TEN*, the quarterly magazine of the Federal Reserve Bank of Kansas City, has been released. The issue looks at the impact ethanol plants have on rural America. While this recent boom gives communities a big boost, economists are cautious about whether gains will endure long-term. Other feature articles include: the “wallet phone” and other mobile devices are a new means to pay; the average household isn’t sharing in the economic prosperity of the past decade, but executive compensation is high; and consumer protection via bank supervision ensures fair treatment for everyone.

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

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**REGULATORY  
DEVELOPMENTS**

*Federal Reserve Bank of Kansas City  
enhances Banking Supervision  
section of website*

To continually improve on user-friendliness and information accessibility, the Federal Reserve Bank of Kansas City has enhanced the content on its public website regarding banking supervision. The [enhanced content](#) includes important information on the Tenth District’s supervisory program and associated laws and regulations, such as valuable regulatory and filing information for new bank holding companies.

Ongoing enhancements are planned.

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*Final rule to Regulation O*

The Federal Reserve Board on May 29, 2007, announced the approval of a [final rule](#) that would implement section 601 of the Financial Services Regulatory Relief Act of 2006, which eliminated several statutory reporting and disclosure requirements relating to insider lending by insured depository institutions. The final rule amends the Board’s Regulation O (12 CFR part 215) to reflect the elimination of these reporting and disclosure requirements.

Regulation O implements statutory restrictions on the ability of insured depository institutions to extend credit to their executive officers, directors, principal shareholders and to related interests of such persons (insiders). The final rule does not alter the substantive restrictions on loans by insured depository institutions to their insiders or to insiders of their correspondent banks.

Effective **July 2, 2007**, the interim rule published Dec. 11, 2006, is adopted as final without change.

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*Proposed amendments to  
Regulation Z*

The Federal Reserve Board on May 23 issued for public comment proposed amendments to **Regulation Z** (Truth in Lending) that are intended to improve the effectiveness of the disclosures consumers receive in connection with credit card accounts and other revolving credit plans. The proposal aims to ensure that information is provided to consumers in a timely manner and in a form that is readily understandable.

The proposed amendments principally focus on the rules for open-end credit accounts that are not home-secured, chiefly general-purpose and retail credit card plans. The proposal would require changes to the format, timing and content requirements for credit card applications and solicitations and for the disclosures that consumers receive through the life of an open-end account.

Disclosures accompanying credit card applications and solicitations would highlight fees and the reasons penalty rates might be applied, such as for paying late. Periodic statements would break out costs for interest and fees. Two alternatives are proposed regarding the “effective” or “historical” annual percentage rate disclosed on periodic statements.

The proposal follows the Board’s comprehensive review of the open-end credit rules (other than home-secured) and takes into consideration comments from the public on two previously issued advance notices of proposed rulemaking. Comments must be received on or before **Oct. 12, 2007**.

*Final illustrations of consumer  
information for nontraditional  
mortgage products*

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The federal bank, thrift and credit union regulatory agencies have issued **final illustrations of consumer information** intended to help institutions implement the consumer protection portion of the Interagency Guidance on Nontraditional Mortgage Product Risks adopted Oct. 4, 2006.

Three illustrations have been released to assist institutions with providing clear and balanced information regarding nontraditional mortgage products. The illustrations available include: 1) a narrative explanation of nontraditional mortgage products, 2) a chart comparing interest-only and payment option adjustable-rate mortgage (ARM) loans to a traditional fixed-rate loan (including a template) and 3) a table that could be included with monthly statements for a payment option ARM showing the impact of various payment options on the loan balance.

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*Delay in revised Suspicious  
Activity Report forms*

On June 19, 2007, the Federal Reserve issued **Supervision and Regulation (SR) Letter 07-9** to provide guidance on the announcement of the Financial Crimes Enforcement Network's (FinCEN) delay in the implementation of certain revised Suspicious Activity Report (SAR) forms. The revised SAR forms that support joint filing were scheduled to become effective on June 30, 2007, and mandatory on Dec. 31, 2007. This delay affects the implementation dates for the Suspicious Activity Report by Depository Institutions, which were set forth in SR 07-02, published Jan. 12, 2007. FinCEN will establish new effective and mandatory compliance dates for these revised forms in a future Federal Register notice.

This announcement does not affect a banking organization's SAR filing obligations. Banking organizations should continue to file using the current Suspicious Activity Report by Depository Institutions (Form TD F 90-22.47) in accordance with regulatory requirements.

*Regulation E final rule*

The Federal Reserve Board announced on June 27 its approval of a final rule to create an exception for transactions of \$15 or less from Regulation E's requirement that receipts be made available to consumers for transactions initiated at an electronic terminal. The rule, to the regulation that implements the Electronic Fund Transfer Act, is intended to facilitate the ability of consumers to use debit cards in retail environments where making receipts available may not be practical or cost-effective.

The effective date of the final rule will be forthcoming.

*Final Statement on Subprime  
Mortgage Lending*

The federal financial regulatory agencies issued a final **Statement on Subprime Mortgage Lending** on June 29 to address issues relating to certain adjustable-rate mortgage products that can cause payment shock. The Statement describes the prudent safety and soundness and consumer protection standards that institutions should follow to ensure borrowers obtain loans they can afford to repay.

The Statement reinforces the April 17, 2007 interagency Statement on Working with Borrowers in which the agencies encouraged institutions to work constructively with residential borrowers who are financially unable or reasonably expected to be unable to meet their contractual payment obligations on their home loans.

The agencies published the proposed Statement on Subprime Mortgage Lending for comment on March 8, 2007. The agencies made a number of changes to the proposal to respond to commenters' concerns and provide additional clarity.

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