



fed LETTER

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

AUGUST 2006

FEDERAL RESERVE BANK *of* KANSAS CITY

BEIGE BOOK RELEASED

The **latest edition** of the Beige Book was released July 26. The Beige Book is a summary of current economic conditions in each Federal Reserve District.

All 12 Federal Reserve Districts generally indicated continued economic growth during June through mid-July, with numerous individual reports pointing to evidence that growth has slowed. Several Districts characterized the overall pace of economic growth as “moderate” or “modest,” although San Francisco reported that its economic expansion remained “solid.” Atlanta and St. Louis described overall conditions as “mixed.” The Philadelphia, Cleveland, Richmond, Chicago, Dallas, and San Francisco reports each highlighted a decline in the overall rate of economic growth in their Districts.

MANUFACTURING SURVEY RELEASED

The **monthly manufacturing survey** for the Tenth Federal Reserve District was released July 27. 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 growth in the District eased in July, following solid expansion in June. However, expectations for future factory activity rebounded strongly following a sizable decline last month. The price indexes in the survey all fell slightly but remained high by historical standards.

HOLIDAY REMINDER

The Federal Reserve will be closed **Monday, Sept. 4, 2006**, for Labor Day. The FRB Services Web site features a **full listing** of all holidays observed by the Federal Reserve.

LATEST ISSUE OF *THE
MAIN STREET ECONOMIST*

The **newest issue** was released July 11. Stephan Weiler, Jason Henderson, and Katie Cervantes discuss how rural communities can overcome their smaller size and remoteness by forming regional partnerships in “Innovative Regional Partnerships in the Rural Tenth District.” These regional partnerships must be innovative to break down traditional barriers within the region, the authors say.

ECONOMIC REVIEW RELEASED

The **second quarter 2006** edition of *Economic Review*, featuring the three articles listed below, is now available.

“A New Perspective on Rising Nonbusiness Bankruptcy Filing Rates: Analyzing the Regional Factors” by Kelly D. Edmiston describes a new model of county bankruptcy filing rates. This model explores the underlying causes of bankruptcy.

C. Alan Garner concludes in his article, “Should the Decline in the Personal Saving Rate Be a Cause for Concern?” that though there are some legitimate reasons for concern, the decline in the personal saving rate may not be as alarming as it first appears.

In “Liquidity Risk Premia and Breakeven Inflation Rates,” Pu Shen explores the yield spread between these two measures—an indicator the Federal Open Market Committee frequently mentions in policy deliberations as a reflection of inflation expectations.

WELCOME NEW MEMBER BANKS

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

First BankCentre	Broken Arrow, Okla.	June 16
1stBank	Evanston, Wyo.	June 30

REGULATORY
DEVELOPMENTS
*Revisions to the Uniform
Standards of Professional
Appraisal Practice*

The federal financial institution regulators have issued an **interagency statement** to inform regulated institutions of significant revisions made to the Uniform Standards of Professional Appraisal Practice (USPAP). The Federal Reserve System issued this interagency statement under Supervision and Regulation Letter (SR) 06-09 on June 22.

Under the agencies’ appraisal regulations, regulated institutions must ensure that appraisals supporting federally related transactions adhere to USPAP. The interagency statement provides an overview of the USPAP revisions and the ramifications of these revisions to regulated institutions’ compliance with the agencies’ appraisal regulation.

Attached to the interagency statement is a questions-and-answers document (titled “2006 USPAP and Scope of Work”) that the Appraisal Standards Board prepared to highlight the USPAP changes and the new Scope of Work Rule.

Proposed rules on identity theft red flags and notices of address discrepancy

On July 18, the federal financial institution regulatory agencies and the Federal Trade Commission issued a [request for public comment](#) regarding proposed rulemaking that would implement sections 114 and 315 of the Fair and Accurate Credit Transactions Act of 2003 (FACT Act). As required by section 114, the agencies are jointly proposing guidelines for financial institutions and creditors in identifying patterns, practices, and specific forms of activity that indicate possible existence of identity fraud.

The agencies are also proposing joint regulations requiring each financial institution and creditor to establish reasonable policies and procedures for implementing the guidelines. In addition, the agencies are proposing joint regulations under section 315 that provide guidance regarding reasonable policies and procedures that a user of consumer reports must employ when such a user receives a notice of address discrepancy from a consumer reporting agency.

Comments on the proposed rules are due by **Sept. 18, 2006**.

FFIEC information security booklet

The Federal Financial Institutions Examination Council (FFIEC) has updated its Information Security Booklet for examiners and financial institutions to reflect changes in technology and mitigation strategies, as well as recent revisions to related supervisory guidance. The Federal Reserve issued this booklet under [Supervision and Regulation \(SR\) Letter 06-12](#) on July 28. In addition to the revised booklet, the FFIEC also issued an executive summary of its IT Examination Handbook, which contains a high-level synopsis of each of the 12 booklets that comprise the handbook.

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.

FED LETTER • AUGUST 2006

Fed Letter is published by the Federal Reserve Bank of Kansas City, 925 Grand Boulevard, Kansas City, Missouri, 64198-0001, (800) 333-1010.

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