

Fed Letter



Mark your calendar for Fed Café

Our spring Fed Café series will offer informative sessions on such topics as check restructuring, the Check Clearing for the 21st Century Act, FedImageSM Services, FR 2910a reports, and more. The seminars will be held in locations throughout the Tenth District through May.

For additional information about the Fed Café sessions, visit our Web site (www.kc.frb.org). Point to “News & Events,” click “Upcoming Events,” and then “Fed Café Seminars.” The site contains full seminar details and online registration. You also may contact Stacey Russell in our Kansas City office at (800) 333-1010, extension 2097 (816-881-2097 locally) for more information.

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Research examines growth of nonbanks in the payments system

Nonbanks, always a key component in the nation’s payments system, have become even more prominent in recent years, raising several questions ranging from the roles these businesses play to the risks associated with their participation. “Nonbanks in the Payments System,” a new research paper from the Federal Reserve Bank of Kansas City’s Payments System Research Department, begins to address some of these important questions.

The preliminary findings conclude that nonbanks have relationships with banks and others in the payments system that are often highly complex and interrelated and that both nonbanks and banks appear increasingly susceptible to operational risk factors.

The paper is available at www.kc.frb.org. Click “Payments System Research” in the left column and then “Working Papers.”

Beige Book released

The Beige Book was released March 5. The Beige Book is a summary of current economic conditions in each Federal Reserve District. Reports from the 12 Districts indicated subdued economic activity during January and February. Locally, the economy showed some signs of strengthening, including slight gains in retail sales, improved manufacturing activity, and expanded energy activity.

For details about national and Tenth District economic activity, visit our Web site at www.kc.frb.org. Point to “Publications & Education Resources,” click “Economic Resources,” and then “Current Economic Conditions.”

KC Fed president speaks on community banks

Tom Hoenig, president, Federal Reserve Bank of Kansas City, recently spoke at the Chicago Fed’s conference on “Whither the Community Bank.” In his speech, Hoenig outlined the role community banks play in key sectors of the economy and the Federal Reserve’s three missions – monetary policy, banking supervision and regulation, and the payments system.

The speech is available on our Web site (www.kc.frb.org). Point to “News & Events,” and click “Speeches,” then under “Speeches by President Tom Hoenig and Bank Senior Management” click “2003 – Community Banks and the Federal Reserve (March 14, 2003).”

February summaries of the rural economy available

The Center for the Study of Rural America provides a monthly online summary of the rural nonfarm and farm economies. In February, the nonfarm rural economy continued its steady recovery with the number of rural jobs returning to levels from a year-ago, solid growth in service-producing industries, and continued improvement in a weak manufacturing sector. The farm economy summary examines the impact drought and dry conditions in the Western and Plain states and Corn Belt have had and will have on crops.

To read the complete report, visit our Web site at www.kc.frb.org. Point to "About the Fed," click "Center for the Study of Rural America," and then "The Rural Economy at a Glance." Select the month and summary of interest.

Manufacturing survey released

The manufacturing survey for the Tenth Federal Reserve District was released March 10. The survey asks plant managers about a variety of manufacturing indicators. The information is compiled into a snapshot of manufacturing in the District. In February, manufacturing activity in the District showed continued signs of improvement, but firms were reluctant to add workers or increase capital spending. Optimism about future activity remained high.

To view the current survey, visit our Web site (www.kc.frb.org) and point to "Economic Research & Data." Next, click "Regional Economic Information" and then "Manufacturing Survey."

Greenspan discusses globalization

At the recent Banque de France International Symposium on Monetary Policy, Economic Cycle, and Financial Dynamics in Paris, France, Federal Reserve Chairman Alan Greenspan discussed financial globalization. His speech acknowledged the rapid advancement of financial globalization during the past 20 years and examined whether there are signs that globalization is nearing maturity.

Greenspan's remarks are available on the Board of Governor's Web site (www.federalreserve.gov). Click "News and Events" in the left column, then "Speeches of Federal Reserve Board Members," and then "March 7, 2003 – Chairman Alan Greenspan, Global finance: Is it slowing?"

Milestone anniversaries

The Fed is pleased to congratulate the following banks for reaching FRB membership milestone anniversaries:

The State Bank	Winfield, Kan.	85 years
First State Bank New Mexico	Taos, N.M.	65 years

Regulatory developments Interagency guidance on mortgage banking

Through Supervision and Regulation Letter SR 03-4, the Board has issued guidance adopted jointly with the other banking regulators that addresses various supervisory concerns regarding the valuation and hedging of mortgage servicing assets (MSAs) and similar mortgage banking assets held by bank holding companies and state member banks. SR 03-4 stipulates that management of these institutions should take steps to properly measure and control the risks of these activities. These steps include making sure that detailed policies, procedures, and limits are in place to monitor and control mortgage banking activities, including loan production, administration of pipeline (unclosed) and warehouse (closed) loans, secondary market transactions, servicing operations, and management (including hedging) of MSAs. Institutions also are expected to have comprehensive documentation that adequately substantiates and validates both the carrying values of their MSAs and the underlying assumptions used to derive these values. For more information about SR 03-4, please contact Joe Van Wallegem in our Kansas City office at (800) 333-1010, extension 2387 (816-881-2387 locally) or by e-mail at joe.vanwallegem@kc.frb.org.

**Proposed Home
Mortgage Disclosure
Act transition rules**

The Board has published transition rules in a proposed amendment to the official staff commentary that applies and interprets the requirements of Regulation C (Home Mortgage Disclosure Act). In 2002, the Board made substantial revisions to Regulation C that will become effective on **Jan. 1, 2004**. The revisions require lenders to report new data items, including information about loan pricing. The proposed transition rules provide guidance on collecting and reporting this information for applications received before Jan. 1, 2004, upon which final action is taken on or after Jan. 1, 2004. The transition rules would outline how lenders should report information on ethnicity and race and would provide that lenders would not have to identify loans involving manufactured homes and could continue to apply the current definitions of a home improvement loan and a refinancing. The comment period on this proposal expires **April 8, 2003**. Any questions about this proposal should be directed to the Consumer Affairs Department in our Denver office at (800) 333-1020, extension 2605 (303-572-2605 locally), or in our Kansas City office at (800) 333-1010, extension 2488 (816-881-2488 locally).

Internet access

Regulatory developments like those above can be obtained from our Web site at **www.kc.frb.org**. Point to "Banking Information" on the home page, then click "Regulations/Other Guidance," and select either of the first two categories, as appropriate.

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