

Fed Letter



Beige Book released

The Beige Book was released Jan. 14. The Beige Book is a summary of current economic conditions in each Federal Reserve District. Nationally, most districts reported that their economies improved, strengthened, or grew at a moderate pace. Locally, the Tenth District's economy strengthened further in December, with solid holiday retail sales, improvements in the labor market, and expansion in manufacturing. However, commercial real estate markets remained weak, and the farm economy, while strong in December, seemed uncertain since the appearance of mad cow disease in the United States.

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."

Greenspan delivers semiannual report to Congress

Alan Greenspan, Federal Reserve chairman, delivered the Federal Reserve Board's semiannual monetary policy report to Congress in February. In his presentation, Greenspan reviewed the state of the U.S. economy, the conduct of monetary policy, and other key issues related to the federal budget.

Greenspan's testimony and a link to the monetary policy report are available on the Board of Governors' Web site (www.federalreserve.gov). Click "News and Events" in the left column, then "Testimony of Federal Reserve Officials," then "February 11, 2004 – Chairman Alan Greenspan."

Senior Loan Officer Opinion Survey results available

Results are now available from the January 2004 Senior Loan Officer Opinion Survey on Bank Lending Practices. The most recent survey focused on changes in the supply of and demand for bank loans to businesses and households during the previous three months, as well as commercial real estate loans.

To review the results of the January survey, visit the Board of Governors' Web site (www.federalreserve.gov). Click "Economic Research and Data" in the left column, then "Surveys and Reports," then "Senior Loan Officer Opinion Survey on Bank Lending Practices," and then "January" under the 2004 column.

Manufacturing survey released

The monthly manufacturing survey for the Tenth Federal Reserve District was released Feb. 9. The survey asks plant managers about a variety of manufacturing indicators. The information is compiled into a snapshot of manufacturing in the District. In January, manufacturing activity continued to expand. The production and new orders indexes remained positive and well above levels posted in recent years; however, both indexes eased slightly from the December highs.

To view the current survey, visit our Web site (www.kc.frb.org) and point to "Economic Research & Data." Next, click "Regional Economic Information," then "Manufacturing Survey," and then "Current Survey (February 9, 2004)."

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:

Bank of Eufaula	Eufaula, Okla.	Jan. 22, 2004
Thunder Bank	Sylvan Grove, Kan.	Jan. 26, 2004
United Bank & Trust	Marysville, Kan.	Feb. 13, 2004

Mad Cow disease and its impacts

In December 2003, the U.S. Department of Agriculture reported that a dairy cow infected with Mad Cow disease had been found in the state of Washington. The December issue of *The Main Street Economist* takes a closer look at this situation in “FAQs about Mad Cow Disease and Its Impacts.” The article focuses on three areas: What happened, what are the economic implications, and what is the outlook for the cattle and beef industries?

Read the full report on our Web site (www.kc.frb.org). Point to “About the Fed,” click “Center for the Study of Rural America,” then “*The Main Street Economist*,” and then “December 2003.”

Milestone anniversaries

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

The Colorado Bank and Trust Co.	La Junta, Colo.	80 years
Lusk State Bank	Lusk, Wyo.	70 years
Colorado Mountain Bank	Westcliffe, Colo.	25 years
WestStar Bank	Vail, Colo.	10 years

Regulatory developments

Debt elimination schemes

Board of Governors’ staff has become aware of various illegal schemes being offered to the public that claim to eliminate outstanding debt through the use of specially prepared documents. The organizers of these schemes create phony legal documents based on the borrower’s debt, which are then presented to the borrower’s lender in an attempt to satisfy the debt. The instruments usually question the authenticity of the financial obligations and often refer to a specific government agency (such as the Federal Reserve) in an attempt to support their claims. Debt elimination programs that claim Federal Reserve approval or consent and claim the satisfaction of legitimate debts through the presentation of suspicious documents are false. The Federal Reserve does not approve and is in no way involved in any program aimed at eliminating anyone’s debt obligations. Further details are contained in the Board’s Supervision and Regulation Letter (SR) 04-3.

Questions concerning this matter should be directed to Rodney Jokerst in our Kansas City office at (800) 333-1010, extension 2903 (816-881-2903 locally), or by e-mail at rodney.a.jokerst@kc.frb.org.

Proposed revisions to the Community Reinvestment Act

The Federal Reserve announced on Jan. 21 that it will seek comment on an interagency proposal to revise regulations that implement the Community Reinvestment Act, Regulation BB (CRA). The agencies are proposing limited amendments to the regulation in two areas. First, the definition of “small institution,” a category of institutions entitled to streamlined CRA evaluations, would be amended to include banks and thrifts with total assets of less than \$500 million (the threshold is now \$250 million), and eliminate consideration of an institution’s holding company size (now, an institution is not “small” if its holding company is larger than \$1 billion).

Second, the proposal would specify when unlawful discrimination, other illegal credit practices, or abusive asset-based lending by a bank or its affiliate might adversely affect the bank’s CRA rating. The agencies also propose enhancements to the loan data they disclose in CRA public evaluations and CRA disclosure statements.

Comments on the proposal are due by **April 6, 2004**. Questions regarding the operational elements of the proposal or other general questions should be directed to the Board of Governors’ contacts contained in the document. Questions regarding the proposal or requests for copies may be directed to the Consumer Affairs Department of this Reserve Bank in either Kansas City at (800) 333-1010, extension 2488 (816-881-2488 locally), or in Denver at (800) 333-1020, extension 2605 (303-572-2605 locally).

**Accounting
for deferred
compensation
agreements**

The Board of Governors has issued Supervision and Regulation Letter (SR) 04-4, in conjunction with the other banking agencies, which contains the Interagency Advisory on Accounting for deferred compensation agreements and Bank-Owned Life Insurance (BOLI). Consistent with generally accepted accounting principles, the advisory highlights the appropriate accounting for obligations under a type of deferred compensation agreement commonly referred to as a revenue neutral plan or an indexed retirement plan. The benefits payable under these plans are often based on the performance of investments in BOLI. Banks should review their accounting for these agreements to ensure that they are being properly reported in accordance with this advisory and reflect any necessary changes for these agreements in their March 31, 2004, Reports of Condition and Income, as described in the guidance.

Questions concerning this SR letter should be directed to our Kansas City office at (800) 333-1010 to either Jane Padget (for accounting matters), extension 2147 (816-881-2147 locally) or by e-mail at jane.m.padget@kc.frb.org or Rod Hansen (for BOLI) at extension 2399 (816-881-2399 locally) or by e-mail at rod.l.hansen@kc.frb.org.

**Schedule
announced
for Regulatory
Update Series**

The Kansas City Fed will be conducting Regulatory Update Seminars at various locations in the Tenth District again this spring. This year's seminar is titled "Managing Risks to Achieve Long Term Success." The half-day conference will cover the economy and current banking conditions for Midwestern and Mountain region banks; an examiners' panel discussion on risk management practices; and a discussion of changing market demographics, strategic considerations, and corporate governance.

The conference is designed for presidents, chief executive officers, directors, and senior staff of state member banks and bank holding companies throughout the District. Dates and locations of the conference are listed below. Registration begins at 8:15 a.m., with the program starting at 8:45 a.m. and ending at 12:45 p.m. Although there is no cost to attend the conference, pre-registration is required. The registration deadline has been extended to **March 11, 2004**. Please register online at <http://www.kc.frb.org/forms/regupdate2004.htm>, or by contacting Rachel Alfrey in our Kansas City office at (800) 333-1010, extension 2491 (816-881-2491 locally), or by e-mail at rachel.alfrey@kc.frb.org.

March 23 – Tulsa, Okla.	April 7 – Omaha, Neb.
March 24 – Oklahoma City, Okla.	April 13 – Montrose, Colo.
March 25 – Wichita, Kan.	April 14 – Denver, Colo.
March 30 – Kansas City, Mo.	April 15 – Casper, Wyo.
April 1 – Kansas City, Mo.	April 16 – Denver, Colo.
April 6 – Kearney, Neb.	

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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