

Fed Letter



Check restructuring initiative will bring changes to Appendix A of Reg CC

In February 2003, the Federal Reserve Banks announced a check restructuring initiative to reduce the number of Reserve Bank check processing locations from 45 to 32. As these changes have occurred, the Federal Reserve Board has amended the routing symbol lists in Appendix A of Regulation CC. The amendments include the removal of the closing offices' routing symbols from the list, and the reassignment of those offices' routing symbols to other Reserve Banks. To give affected banks ample time to make any needed processing changes, the Board is publishing each final rule in the Federal Register at least 60 days prior to the elimination of check operations at the applicable Reserve Bank office.

Links to each final rule that the Board has published are available at www.federalreserve.gov. Click "Payment Systems" in the left column and then "Check Restructuring Initiative at the Reserve Banks" under the "Payment Services" heading.

Beige Book released

The Beige Book was released March 3. The Beige Book is a summary of current economic conditions in each Federal Reserve District. Nationally, most Districts reported expansion in economic activity during January and February, with increases in consumer spending, tourism, and service sector activity. However, agricultural conditions were mixed, and there was slow growth in employment. Locally, the Tenth District's economy continued to grow with expansion in manufacturing, retail sales, housing, and energy activity, and favorable agricultural conditions. However, there were declines in auto sales and commercial real estate.

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."

Check clearing resource guide available

The Federal Reserve, banks, and industry trade groups are offering a free 20-page resource guide that explains the recently enacted Check Clearing for the 21st Century Act (Check 21). The implementation of Check 21 will change the way that checks are processed in the United States through the use of "substitute checks."

The resource guide provides common definitions, examples of substitute checks, and industry resources to help financial institutions prepare for the implementation of Check 21. The guide is available through the Check 21 section of the Federal Reserve's financial services Web site (www.frb services.org/Retail/Check21.html), then click "Check 21 Resource Document."

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:

Union State Bank	Everest, Kan.	March 4, 2004
Bank of Commerce	Chanute, Kan.	March 5, 2004
Bank of Parsons	Parsons, Kan.	March 5, 2004
Chetopa State Bank & Trust Co.	Chetopa, Kan.	March 5, 2004
First Neodesha Bank	Neodesha, Kan.	March 5, 2004
First State Bank of Thayer	Thayer, Kan.	March 5, 2004
Home State Bank	Erie, Kan.	March 5, 2004
Five Points Bank of Hastings	Hastings, Neb.	March 11, 2004

Learn more about using FedImageSM services

In May 2002, the Federal Reserve launched FedImage, a suite of check image management solutions for financial institutions that includes four key components—image capture, image archive, image retrieval, and delivery. FedImage Services can include the entire package or be custom tailored to meet the needs of a particular financial institution. As of early March, more than 1,300 financial institutions use FedImage Services.

The Federal Reserve Banks currently are sponsoring a free online seminar for community banks that provides a better understanding of FedImage Services and tools to help banks make more informed and strategic decisions regarding check imaging. The seminar is available at www.fedimage-checkmateyouwin.com until April 22.

“FedImage” is a service mark of the Federal Reserve Banks. A complete list of marks owned by the Federal Reserve Banks is available at www.frbervices.org.

Manufacturing survey released

The monthly manufacturing survey for the Tenth Federal Reserve District was released March 8. 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 continued to grow strongly with increases in the production and new orders indexes, as well as the employment index. Additionally, optimism about future activity improved despite increasing concerns about rising input costs.

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 (March 8, 2004).”

Regulatory developments Request for burden reduction recommendations-- Consumer Protection: Lending-Related Rules

The Federal Reserve, along with the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision (the Agencies) are reviewing regulations to identify outdated, unnecessary, or unduly burdensome regulatory requirements pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (EGRPRA). The Agencies are requesting comments and suggestions on ways to reduce burden in rules categorized as Consumer Protection: Lending-Related Rules.

The Agencies specifically invite comment on the following issues: whether statutory changes are needed; whether the regulations contain requirements that are not needed to serve the purposes of the statutes they implement; the extent to which the regulations may adversely affect competition; the cost of compliance associated with reporting, recordkeeping, and disclosure requirements, particularly on small institutions; whether any regulatory requirements are inconsistent or redundant; and whether any regulations are unclear. Comments are due by **April 20.**

Interagency Update on Accounting for Loan and Lease Losses

The Federal Reserve, along with the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, and the National Credit Union Administration, have issued an Interagency Update on Accounting for Loan and Lease Losses (the Update). The Update describes recent developments in accounting for the allowance for loan and lease losses (ALLL) and identifies current sources for generally accepted accounting principles and regulatory guidance. Financial institutions should use this guidance for determining the ALLL and associated provision for loan losses. The Federal Reserve has issued this guidance under Supervision and Regulation Letter (SR) 04-5.

Questions about this guidance should be directed to Jane Padget in our Kansas City office at (800) 333-1010, extension 2147 (816-881-2147 locally), or by e-mail at jane.m.padget@kc.frb.org.

Unfair or deceptive acts or practices by state-chartered banks

On March 11, the Federal Reserve and the Federal Deposit Insurance Corporation published interagency guidance outlining the standards that will be considered in determining whether specific acts or practices by state-chartered banks are unfair or deceptive under Section 5 of the Federal Trade Commission Act. The guidance both outlines the standards for determining whether an act or practice is unfair or deceptive and also addresses the ways in which banks can manage risks by taking appropriate measures to avoid engaging in certain unfair or deceptive acts or practices.

For general information or to request a copy of the guidance (nine pages in length), contact the Consumer Affairs Department in our Kansas City office at (800) 333-1010, extension 2488 (816-881-2488 locally), or in our Denver office at (800) 333-1020, extension 2605 (303-572-2605 locally).

Proposed new format for lending data under HDMA

The Federal Reserve Board is requesting public comment on proposed changes to the public disclosure tables that are used to report data collected by lenders under the Home Mortgage Disclosure Act (HMDA). The proposal would revise some of the existing disclosure tables, delete one set of existing tables, and add new tables. The proposed changes are due to revisions to Regulation C, the Board regulation that implements HMDA. These revisions require lending institutions to report new data, including loan pricing information (the rate spread between the annual percentage rate on the loan and the yield on Treasury securities of comparable maturity); whether the loan is subject to the Home Ownership and Equity Protection Act; whether manufactured housing is involved; whether the loan is subject to a first or subordinate lien on the property; and certain information about requests for preapproval. These data items would be reflected on the proposed new tables, with 2004 being the first year for which the new data is to be reported. Data from institutions are due no later than March 1, 2005, and the data will be reflected in the public disclosures scheduled to be released in summer 2005.

Comments on the proposal must be received by **May 10, 2004**. Questions may be directed to the Consumer Affairs Department in our Kansas City office at (800) 333-1010, extension 2488 (816-881-2488 locally), or in our Denver office at (800) 333-1020, extension 2605 (303-572-2605 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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