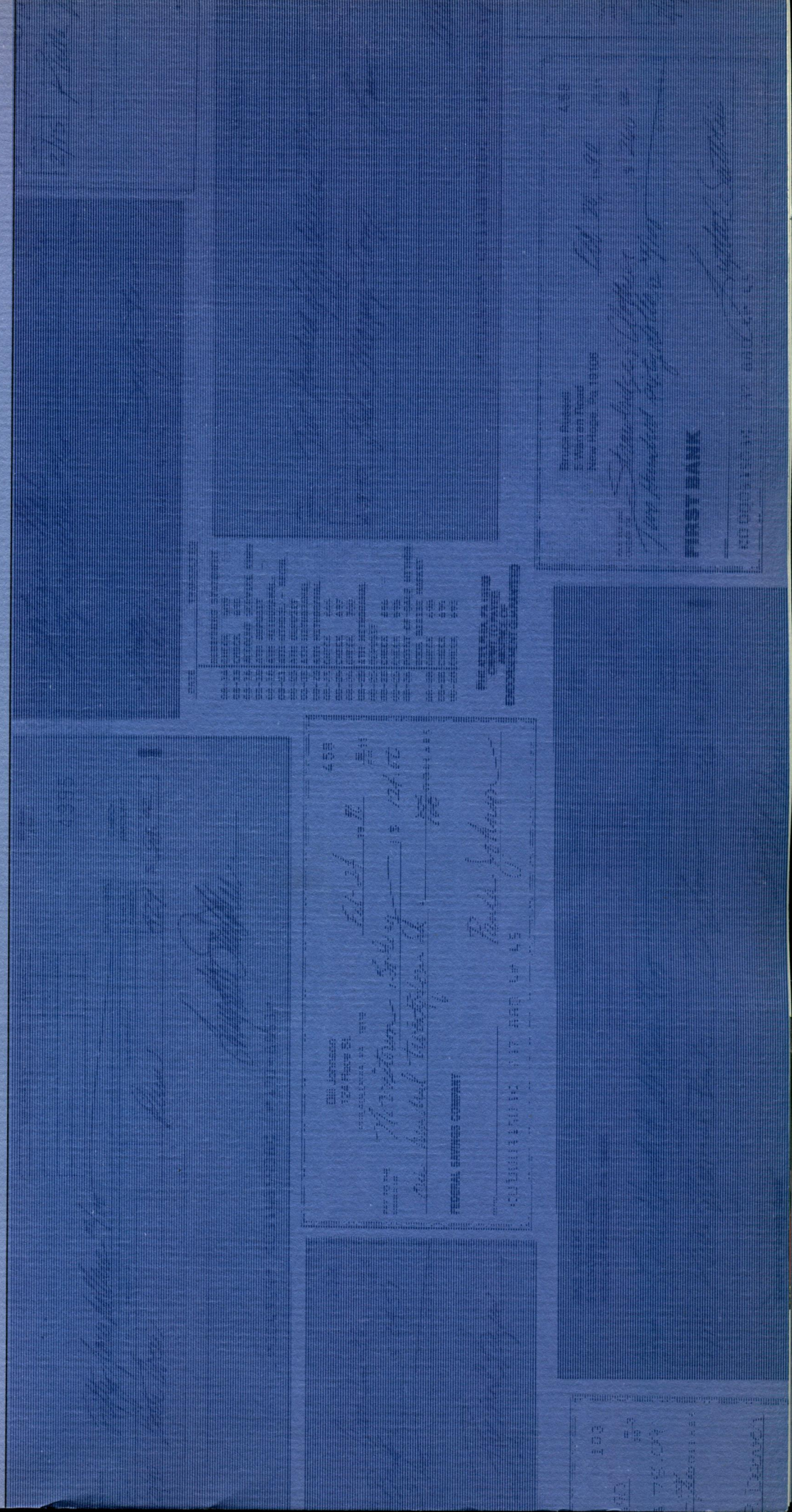
The Federal Reserve Bank Of Philadelphia

# 1989 ANNUAL REPORT



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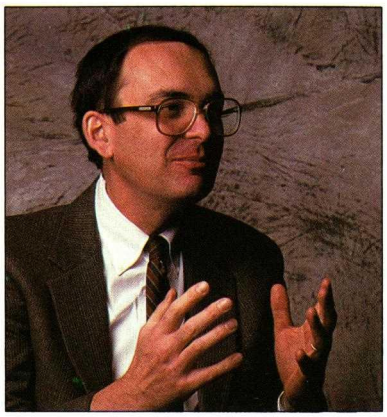


*When the Federal Reserve is mentioned in the media today, it's more than likely in connection with interest rates. The nation's monetary policy is what we are best known for, and it certainly had a high-profile decade.*

*Monetary policy was instrumental in controlling inflation in the early 1980s, and since then, it has helped steer the economy on the narrow course between too much inflation and too little growth.*

*The Fed's Supervision and Regulation function also has been much in the news lately. Deregulation and then the savings and loan crisis increased the work of our examiners in both volume and importance.*

*Yet, it is our payment operations -- checks and electronic -- that we have chosen to feature in this annual report for 1989. These functions are not glamorous or even well known, but they were focal points last year for the Bank's internal accomplishments as well as its contributions to the Third District. When we help to make check and electronic payments flow more smoothly, as we have done, the regional economy in turn should operate more efficiently.*

*As check use surged during the 1980s, consumers spoke with a rising voice about the unevenness of the collection system. Although most banks and thrifts allowed customers to draw against deposits in a reasonable time, others did not, and there were enough irate people with compelling stories to catch the attention of Congress.*

*The Expedited Funds Availability Act (EFA) was passed in 1987, and the Federal Reserve was directed to draw up the implementing regulation. It became Regulation CC, which set forth schedules within which banks and thrifts must make deposits available as well as new standards for check endorsements. This meant the nation's payments mechanism had to be improved to speed the handling of checks and return items, which are dishonored checks.*

*Regulation CC required considerable preparation. The Bank undertook an educational campaign in early 1988 to prepare depository institutions in the District, and we geared up our own shop for big increases in volume and to speed the return of dishonored checks.*

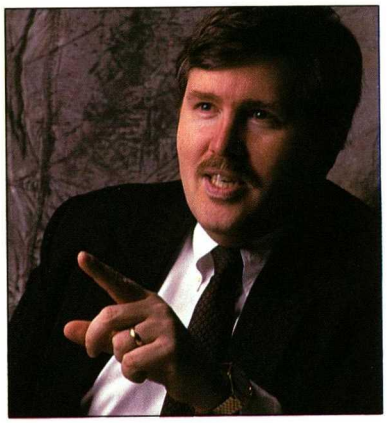
*When Regulation CC took effect on September 1, 1988, volume increases quickly materialized. The number of return items in particular was much greater than we had anticipated and backlogs began to build.*

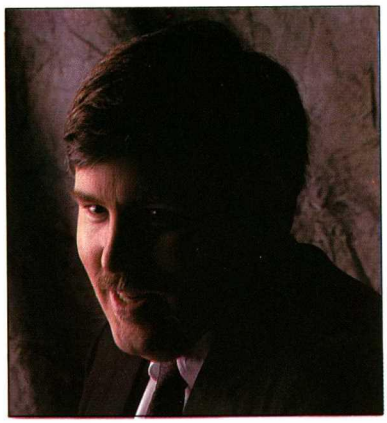
*Management responded by sharpening the organization still further and adding resources where necessary. We held additional seminars around the District in early 1989 to explain further the regulation and new procedures it required. Our Check Department employees responded with heroic efforts that lasted through the year. They worked long and hard, including many weekends. By the year's end, new systems were functioning well, backlogs had been slashed, and operations were returning to a more sustainable pace.*

*This Bank also played an active part last year in shaping the nation's future payments mechanism. Our people ran the Federal Reserve Check Product Management Office, which oversees the development and pricing of check services for the whole System. In addition, we were the lead Bank in the System's Electronic Payments Processor pilot project, which is charged with developing what could be the basic ways most payments are processed in the 1990s.*

*As the new decade unfolds, the payment system will change. Payment by check will continue to be important, but the dramatic growth will be in electronic payments. Whatever the form, Fed employees will continue to work hard at making the payment system dependable, efficient, accessible, and safe.*

*Edward G. Boehne*





**Bill Stone**
*First Vice President*

"In this report, you'll find two stories: In words, we discuss how our Check Operations Department has risen to recent challenges; in pictures, we present some of the members of the team in Checks who do the work, day in and day out. It takes a team effort to do quality work in check processing, and quality is important to the whole Checks team because quality is important to our customers."

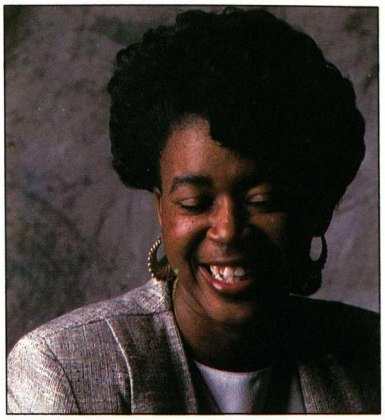
*Every single working day, our people rush three and a half million checks from the loading dock to the processing area, sort them and rush them back out. The next day, they do it all again.*

*Check processing is the largest single operation within the Bank. The Philadelphia Fed handles about one billion checks a year in a complex system of people, machines and computers. With more than 250 employees, our Check Operations Department is larger than some businesses, and those employees do more than just process checks. They also write computer software, analyze staffing and equipment needs, resolve errors with our depositors and paying banks, plan for the future and handle all the administrative paperwork that is part and parcel of a large operation.*

*Check clearing at the Fed entered a new age with the passage of the Monetary Control Act (MCA) in 1980. Previously, we had offered a broad range of services, including check clearing, only to member banks and at no charge. In the new, post-MCA world, the Fed's services became available to all financial institutions at a price, and Reserve Banks were expected to match revenues and the costs of priced services.*

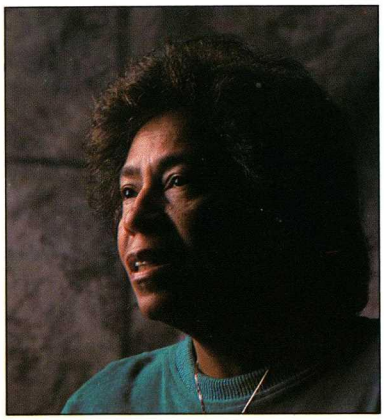
*The Philadelphia Fed faced the challenges of learning how to price services, trimming costs in order to keep prices at competitive levels, and improving quality. These were particularly important issues for our Check Operations people, since their functions account for about three-quarters of the Bank's priced services.*

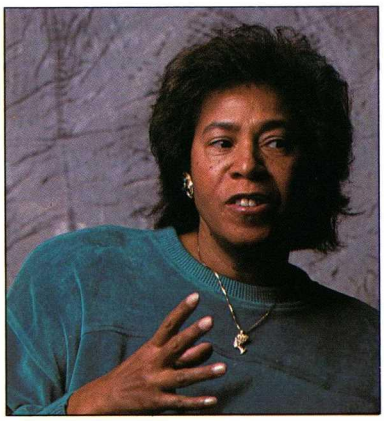
*We met those challenges then and we continue to meet them today.*



**Alice Mention**

In Return Items, she looks over inquiries from financial institutions to see whether they can be resolved immediately without additional research.





**Ruby Thomas**

"It's just you and the machine," she says of working a high-speed sorter. "You're feeding the machine, pulling from the pockets, moving all the time."

**Janice Meyer**

Of working the midnight to 8 a.m. shift, she says, "You could call it stress, but I like the volume. At night, there's no stopping."

## The Expedited Funds Act Makes Major Changes

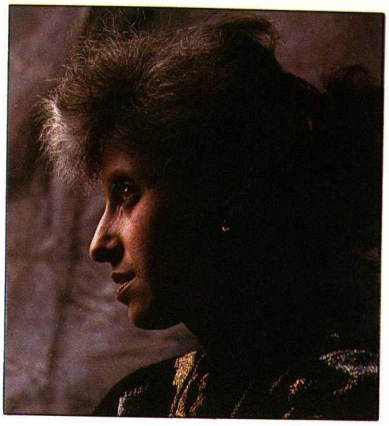
*And the challenges are significant. In 1980, the year MCA was passed, this Bank handled about 698 million checks, with a combined value of almost $336.5 billion. In 1989, the number of checks cleared was up about 45 percent to just over 1 billion, and the value of those checks increased 215 percent to more than $1 trillion.*

*In addition to the ongoing challenges of keeping costs low and quality high with an ever-increasing volume of work, the Bank recently faced another major check-related task, again as a result of legislation.*

*The Expedited Funds Availability (EFA) Act, passed by Congress in 1987, limits how long an institution may delay a customer's ability to use deposited funds. The Federal Reserve implemented the law through Regulation CC, which took effect in September 1988.*

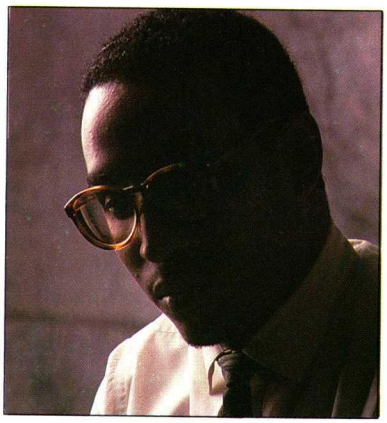
*Almost every department in the Bank had to adapt to the new Regulation CC environment. Check Operations, of course, bore the brunt of the job, but the Accounting, Audit, Computer Services, Marketing and Financial Services, Human Resources, and Purchasing departments all played important roles.*

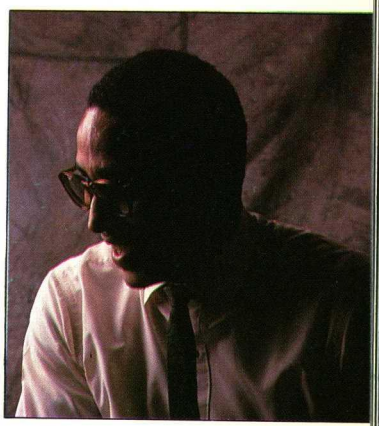
*Return Items, that part of the Check Operations Department that handles dishonored checks, was a major focus for EFA-related improvements. In order for the limits on financial institutions' check hold policies to work without increasing the risk faced by those institutions, the whole system by which checks are returned to the bank of first deposit had to work more quickly. Instead of requiring that a returned check follow the same route back that it had taken in forward processing, the returned check under Regulation CC goes directly back to the bank of first deposit, skipping the intermediate steps. In addition, the Reserve Banks now must handle any return submitted to them, even if the check had not passed through the Fed in the initial clearing process.*



**Ludmilla Traktovenko**

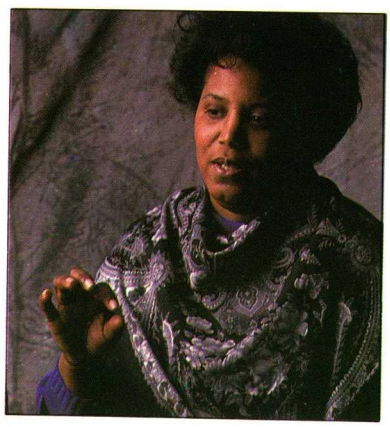
A ten-year Fed veteran, she operates a low-speed check sorter in both forward and return processing.

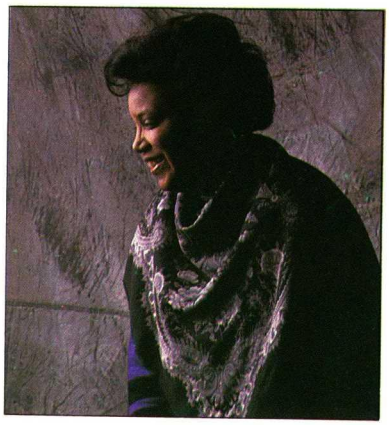




**Louis Smith**

He calls himself a PC trouble-shooter within Check Operations and plans a future in computer programming.





**Geraldine Killebrew**

A section head in low-speed processing on the night shift, she says, "I guess I'm a night person. I like the faster pace of nights."

## Quality is the Watchword

*Additional automation was crucial to making the return system work faster. Further, the endorsements on the back of a processed check had to be cleaned up to make returns work more smoothly. A space was reserved specifically for endorsement by the bank of first deposit, which was required to use a specific ink color.*

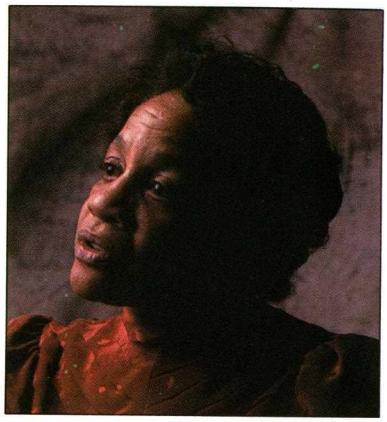
*This Bank beefed up its Return Items function with both additional equipment and people. It went from two shifts to a full, around-the-clock operation. We bought new equipment to encode returned checks and to read check encodings. We bought microfilm and microfiche readers so that our employees could research the difficult adjustment cases better and more quickly.*

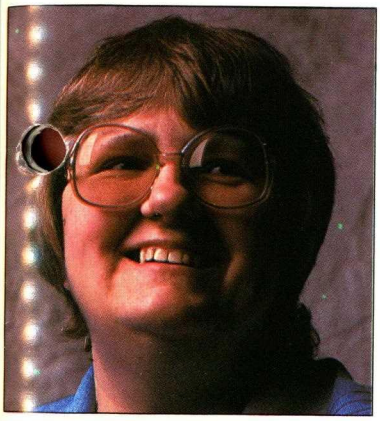
*Adjustments, that part of the Philadelphia Fed's Check Operations Department that deals with problems and mistakes, also grew in 1989. Any system that involves the movement of one billion checks between this Bank and nearly 700 financial institutions that do business with us is bound to have some problems, and it is important to be able to track them down and fix them quickly. To do that, we added people and gave them more space and better tools.*

*We know that quality is one of the key factors that financial institutions consider when they are weighing where to send their check-clearing business. And, quality was a major focus in all aspects of Check Operations in 1989. We demonstrated an overall improvement in quality as measured by the number of errors we make and the time it takes to resolve them. The job is not yet finished, however, and we will continue our efforts to improve quality. Working harder and working smarter have been the major methods for improving quality, and in this, the Human Resources Department has played a crucial role.*

**Gerri Lowry**

After 15 years in Adjustments, where she talks on the telephone with people from financial institutions, she says, "there are a lot of friends out there that I know as voices."



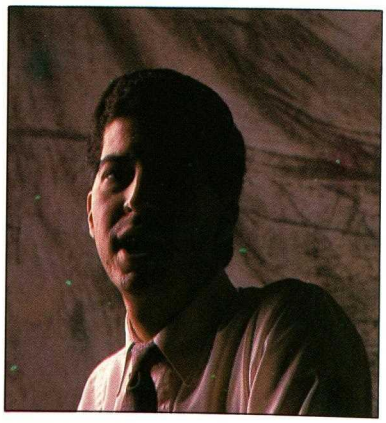


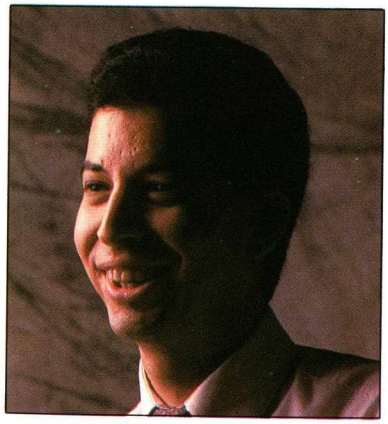
**Barbara Vanleer**

Her 15 years of commercial bank experience helps her "understand some of the banks' problems" in her work as a tracer clerk in Adjustments.

**Mike Mezzatesta**

An 8-year veteran of the Philadelphia Fed, he is responsible for day-shift return item processing and distribution of work back to financial institutions.





*A new training initiative, for which planning began about two years ago, was put into operation and the payoff is showing up in the quality improvement effort. The program is a large undertaking, for it involves new written job guides for employees in operating departments, comprehensive training for new employees and refresher training for the people already working here, and a "maintenance" system so that supervisors in the operating departments can make the new training program an on-going one. The idea is that a line person in the Checks Department can and will take more responsibility for the performance of his job when he can see how it is part of a larger process.*

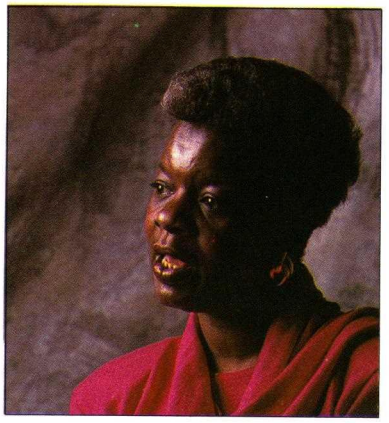
*Training and retraining aren't the only ways we are working to improve quality. Clearing checks is highly automated and heavily dependent upon computers. That's why this Bank has, in 1989, studied and planned carefully for a major replacement of its check clearing system. The system now in use, productive though it has been, is 11 years old. Both machines and computer programming have advanced in those 11 years, and the Bank will be replacing both over the next two years. The result will be a new system that should carry the Bank's check clearing operations into the 21st century.*

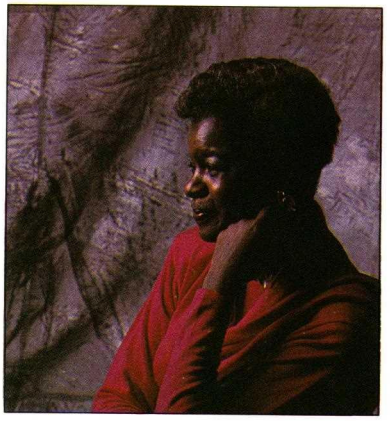
**Anna Kelly**

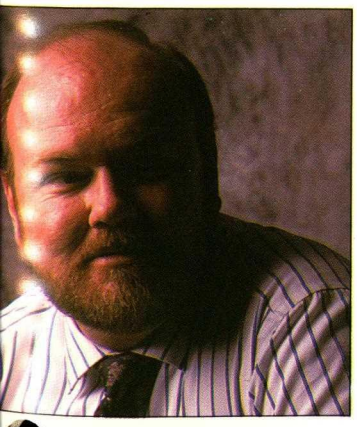
With her 30 years' experience in Checks, including 20 years in Return Items, she can decipher check endorsements. "I'm good at reading doctor's prescriptions, too," she jokes.

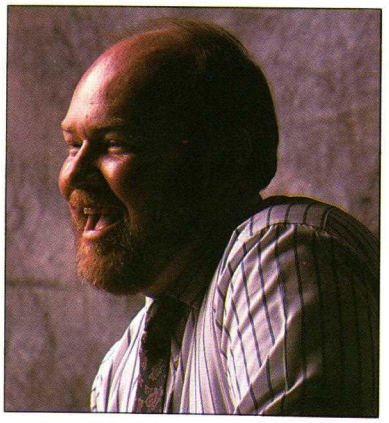
**Shirlee Stevens**

A unit head in Settlement in charge of 25 people, she makes sure that "work gets out to the proper bank with the proper credits."









**Ed McCloskey**

A section head in Return Items, he says that "when EFA began, I was basically on all three shifts. It's manageable now."

## A Leadership Role Within the System

*The Philadelphia Fed not only worked hard to improve its own check operations in 1989, but it also assumed a leadership position in the check area within the Federal Reserve System. The Check Product Management Office, established in 1983 by the Conference of First Vice Presidents, rotated to Philadelphia from the Boston Reserve Bank.*

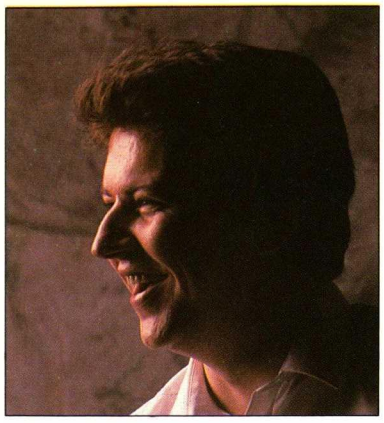
*The Check Product Management Office was organized to bring more Systemwide coordination and planning, especially in pricing, to the check function. Though each Reserve Bank sets it own prices for check services and is responsible for matching costs and revenues, the Check Product Management Office brings a system perspective to pricing. In addition, the Check Product Management Office studies new check products and tries to establish a framework for their pricing.*

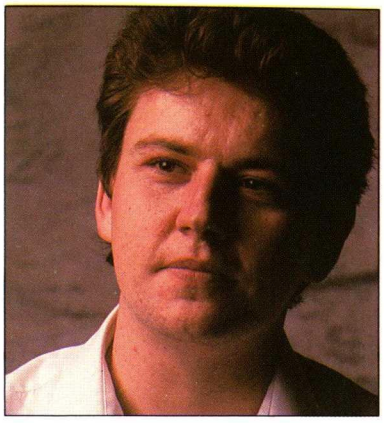
*The focus of the Check Product Office has broadened over the years beyond pricing to include other short- and long-term check issues. For example, the office is studying return item quality issues in conjunction with EFA changes, Treasury check processing, and new electronic check products such as truncation, in which the physical processing of checks is cut short by converting the information on the check into electronic information. That information could then be processed through the automated clearinghouse (ACH).*

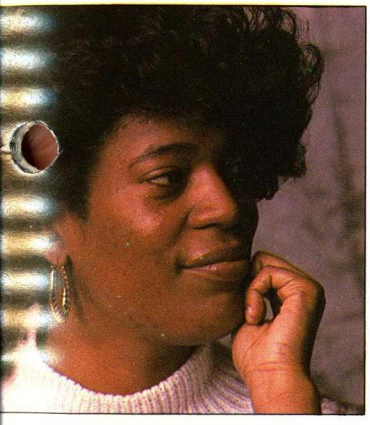
*If the information on a check ends up being routed through the ACH in the future, another major Philadelphia Fed project could come into play.*

**Joel Nash**

He deals with float and funds availability issues in the Cash Letter Monitoring System. He's also worked in a commercial bank, "so I've seen it from both sides."





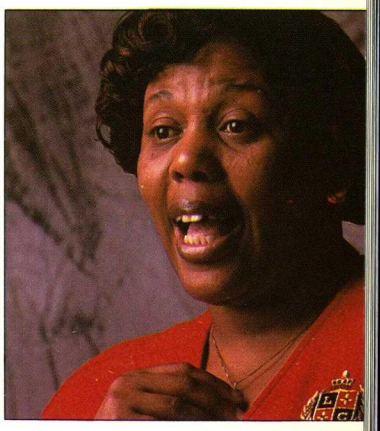


**Sandy Stoutmire**

Working in Return Items, she finds "there's a different problem every day. I learn something new each time."

**Mary Ann Ware**

This 17-year veteran of the midnight to 8 a.m. shift coordinates getting work settled and shipped on deadline.



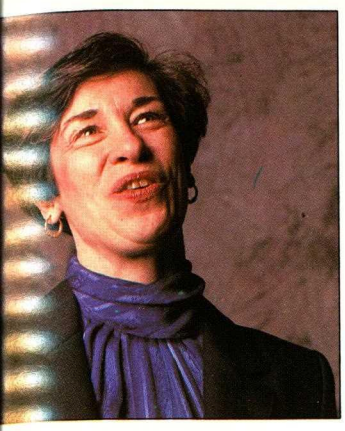
## The Future in Electronic Payments

*We are now the lead Bank in the System's Electronic Payments Processor (EPP) pilot project, which is designing what could be the electronic payments system of the 1990s. The program is using the latest technology to create a separate computer network dedicated to electronic payments only. The new system incorporates fault-tolerant technology so that if one computer in the network is down, because of a power outage for example, the system as a whole will continue to operate, and the Fed's customers will see no delays. The object is to create a system that can provide more flexible and reliable service, at service levels that are uniform nationwide.*

*The EPP project is one of two approaches being studied concurrently by the Federal Reserve System. The second approach is attempting to meet the same goals by improving the use of the mainframe computers already installed at each Reserve Bank instead of using a separate network.*

*Testing of the two approaches is scheduled to be completed in spring 1990, with a decision to follow in the summer. If our EPP project receives the green light, this Bank could be a major production site.*

*Throughout check and electronic payment operations, the Philadelphia Fed is preparing for the coming decade, and quality is a watchword. In 1989, we improved the quality of our check clearing operations, and that improvement will continue as we replace major components of the check clearing system in 1990 and 1991. Within the Federal Reserve System, we have taken a leadership position in the checks area with the Check Product Management Office, and through it, our people are studying immediate and future improvements in check handling. In EPP, we are playing a major System role in creating a better and more reliable electronic system that will serve the Fed and our customers well into the coming decade.*

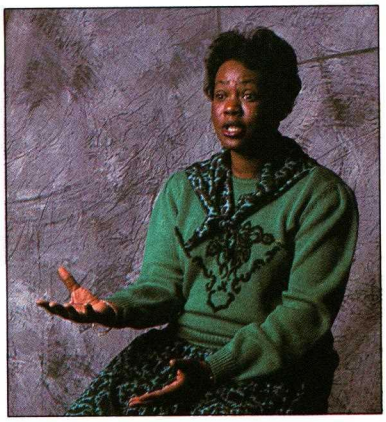


**Kay Maule**

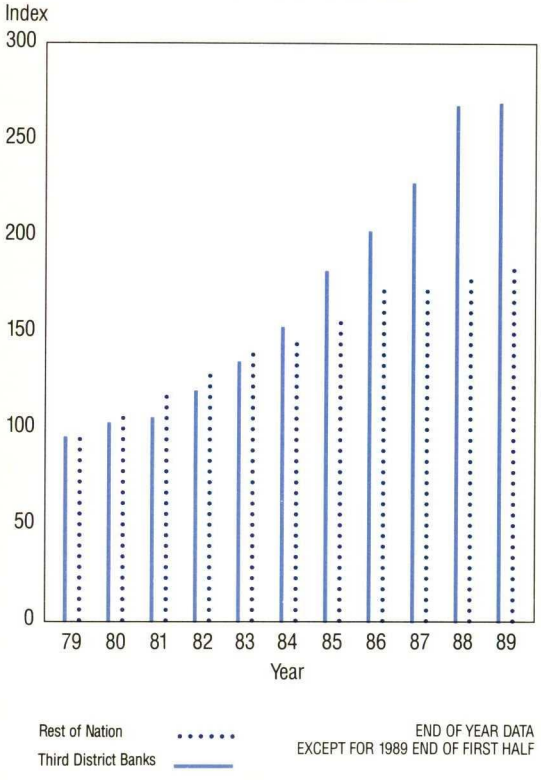
"Return Items used to be a quiet department in Federal Reserve Banks," says this Return Items supervisor.

**Brenda Merrill**

A unit head in Adjustments, she helps resolve the problems that arise in handling one billion checks a year.



**Bank Asset Growth**




Note: Total assets of insured commercial banks as a percentage of year-end 1979 assets.

Source: Federal Financial Institutions Examination Council, Quarterly Reports of Condition and Income for Insured Banks.

*The 1980s were good to the Third District economy and its banking institutions. Not surprisingly, the performance of each helped the other.*

*Third District banks outperformed the rest of the nation throughout most of the decade. Asset growth is one good measure of performance, and the assets of District banks increased 170 percent during the decade compared to 85 percent for the nation. The number of banking jobs increased twice as fast here as the national average.*

*It's one thing to grow in size and it's quite another to grow without sacrificing profits or soundness. District banks maintained both very well in the 1980s. Their profits were better than the rest of the nation's, whether measured by return on assets, return on equity or net interest margin.*

*Loan charge-offs are a good measure of soundness, and District banks bettered the national figures quite handily. Failure rates, of course, are the bottom line of soundness, and in the turbulent decade just passed, more than 1,000 banks closed their doors across the nation. It's nice to be able to say that only two of these happened in the Third District.*

*For 1989, available data suggest that the overall position of District banks did not change; they still outperformed their U.S. counterparts by solid margins.**

*The number of newly formed banks in an area is a good measure of the industry's health and the region's attractiveness, and here our region measured up very well. Early in the decade, Delaware created a legislative environment that attracted new banks to the state. A bit later, new banks began to appear in Philadelphia, Princeton, and other areas. When all was said and done, 69 banks were born in the District during the 1980s. As a percentage of existing banks, this was three times the U.S. figure.*

* *For a more detailed discussion of the past and future of Third District banking, see our January/February 1990* Business Review.

*Quality of management is one reason why District banks have done so well. Conservative and experienced executives were able to pilot their institutions through difficult times. Another part of the answer, we like to think, lies in more effective examination and supervision of our banks.*

*But the major factor has to be the regional economy. Its strength and diversity did much to stimulate the healthy growth of District banks, which, in turn, were better able to serve their customers' needs.*

*It used to be that the Third District states relied heavily on smokestack industries, but those fires dimmed, and services and other industries took their place. As a result, we now have a balanced economy that is both prosperous and resilient. Like our banking system, the regional economy outperformed the nation during the 1980s in many ways.*

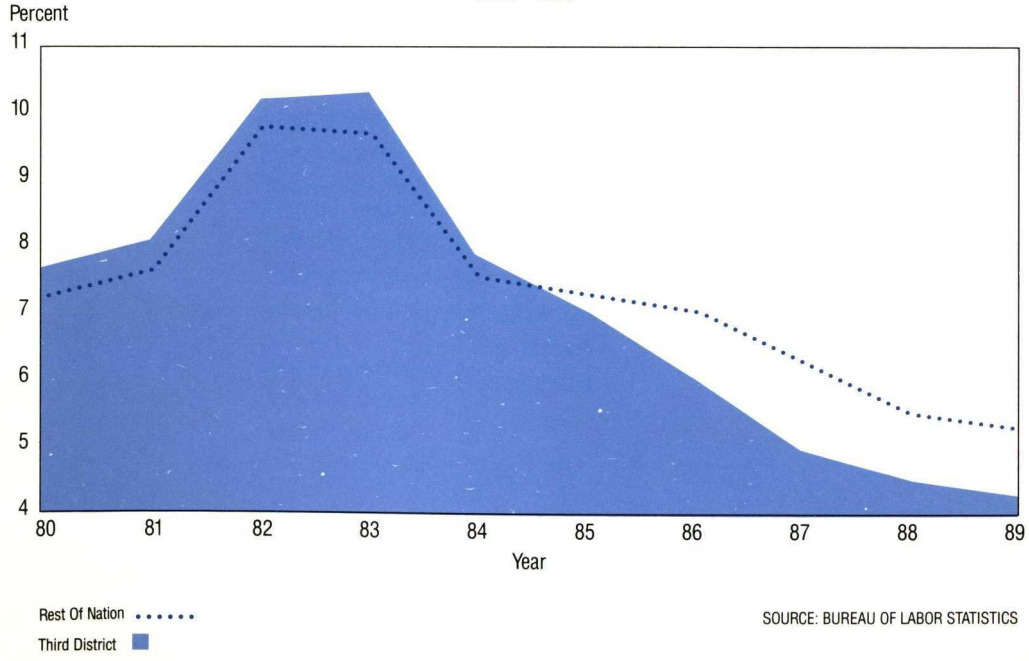
*The unemployment rate in the Third District states has been running below the national average since 1985. In personal income growth, housing values and other measures of well-being, we also were ahead of the nation for much of the decade.*

*The regional economy got off to a fast start in 1989 with very good employment growth in the first quarter. Activity sagged somewhat in the second and third quarters, and growth for the year was less than in 1988. As a result of this slowdown, the unemployment rate in our region rose to about 5 percent by year's end but still remained below the nation's rate. Residential real estate and construction weakened as 1989 progressed, but home sales had stabilized by year's end. In Philadelphia, retail sales growth surpassed the nation's for the year. The area's inflation rate, which had been higher than the nation's for several years, slipped below it in 1989.*

*Although the growth of the regional economy slowed somewhat in 1989, it still operated at high levels of activity and seems well positioned for the new decade.*

**Unemployment Rates**

1980 - 1989




SOURCE: BUREAU OF LABOR STATISTICS

# BOARD OF DIRECTORS

*Peter A. Benoliel, chairman of Quaker Chemical Corp., served his first term as chairman of the board of the Federal Reserve Bank of Philadelphia in 1989. Gunnar E. Sarsten, chairman, president and chief executive officer of United Engineers & Constructors, Inc., was named a Class C director, succeeding Nevius M. Curtis, chairman and chief executive officer of Delmarva Power & Light Co. Sarsten was also designated deputy chairman.*

*One other new director joined the board in 1989, and one director was elected to a second term. Gary E. Burl, president of Delaware National Bank, was elected a Class A director, succeeding Clarence D. McCormick, president of Farmers and Merchants National Bank. Nicholas Riso, executive vice president of Ahold U.S.A., was reelected a Class B director.*

*Chairman*
*Peter A. Benoliel*
*Chairman*
*Quaker Chemical Corp.*
*Conshohocken, PA*

*Deputy Chairman*
*Gunnar E. Sarsten*
*Chairman, President and Chief Executive Officer*
*United Engineers & Constructors Inc.*
*Philadelphia, PA*

*Gary E. Burl*
*President*
*Delaware National Bank*
*Georgetown, DE*

*George A. Butler*
*Chairman and Chief Executive Officer*
*First Pennsylvania Bank, N.A.*
*Philadelphia, PA*

*Constantinos I. Costalas*
*Chairman and Chief Executive Officer*
*Glendale National Bank of New Jersey*
*Voorhees, NJ*

*Jane G. Pepper*
*President*
*The Pennsylvania Horticultural Society*
*Philadelphia, PA*

*Nicholas Riso*
*Executive Vice President*
*Ahold U.S.A.*
*Harrisburg, PA*

*Charles F. Seymour*
*Chairman*
*Jackson-Cross Co.*
*Philadelphia, PA*

*Carl E. Singley, Esq.*
*Philadelphia, PA*

# OFFICERS

*In 1989, Donald F. Doros was promoted to executive vice president with responsibility for automation services, check operations, electronic funds transfer and marketing and financial services. James F. Gaylord was named executive vice president with responsibility for cash operations, human resources and support services. Edward M. Mahon was promoted to vice president and general counsel, Benjamin Nadola moved up to vice president for check operations, and Theodore M. Crone was promoted to assistant vice president and economist.*

*Ronald B. Lankford joined the Bank in 1989 as senior vice president, overseeing the Treasury Direct, disaster recovery planning, quality assurance, accounting and business planning and budget functions.*

*In changes of official assignments, Vice President John B. Shaffer assumed responsibility for cash operations, Assistant Vice President Robert H. Klein joined check operations in the adjustment, settlement and return items areas, and Vish P. Viswanathan became deputy check product manager.*

*Executive Vice President Konstanty G. Adack and Senior Vice President and General Counsel Hiliary H. Holloway both retired in 1989.*

*Edward G. Boehne*
*President*

*William H. Stone, Jr.*
*First Vice President*

*Donald F. Doros*
*Executive Vice President*

*James F. Gaylord*
*Executive Vice President*

*Thomas K. Desch*
*Senior Vice President and*
*Lending Officer*

*Malcolm T. Humphrey*
*Senior Vice President*

*Richard W. Lang*
*Senior Vice President and*
*Director of Research*

*Ronald B. Lankford*
*Senior Vice President*

*J. Warren Bowman, Jr.*
*Vice President*

*Steven P. Cohen*
*Vice President*

*Edward J. Coia*
*Vice President*

*Peter M. DiPlacido*
*Vice President*

*Robert A. Dobie*
*Vice President*

*Ronald G. Foley*
*Vice President*

*Joanna H. Frodin*
*Vice President and*
*Check Product Manager*

*Edward M. Mahon*
*Vice President and*
*General Counsel*

*Stephen A. Meyer*
*Vice President and*
*Associate Director of Research*

*Donald J. McAneny*
*Vice President and*
*General Auditor*

*Lawrence C. Murdoch, Jr.*
*Vice President and Secretary*

*Benjamin L. Nadola*
*Vice President*

*Louis N. Sanfelice*
*Vice President*

*John B. Shaffer*
*Vice President*

*Vish P. Viswanathan*
*Deputy Check Product Manager*

*Robert J. Bucco*
*Assistant Vice President and Assistant Secretary*

*Gerard A. Callanan*
*Planning Officer*

*Theodore M. Crone*
*Assistant Vice President and Economist*

*Patrick L. Donahue*
*Assistant Vice President*

*Robert N. Downes, Jr.*
*Applications Officer*

*William Evans, Jr.*
*Assistant Vice President*

*Eugene E. Hendrzak*
*Assistant Vice President*

*Stephen M. Hoffman*
*Assistant Vice President*

*Jerry Katz*
*Assistant Vice President*

*Alan L. Kiel*
*Assistant Vice President*

*Robert H. Klein*
*Assistant Vice President*

*Mary M. Labaree*
*Assistant General Auditor*

*Thomas P. Lambinus*
*Assistant Vice President*

*Frederick M. Manning*
*Assistant Vice President and Community Affairs Officer*

*Edward Morrison*
*Systems Development Officer*

*Camille M. Ochman*
*Budget Officer*

*Patrick M. Regan*
*Data Communications Officer*

*Edward G. Rutizer*
*Assistant Vice President*

*Sherrill Shaffer*
*Research Officer and Economist*

*Richard A. Sheaffer*
*Assistant Vice President and Assistant Secretary*

*Ronald R. Sheldon*
*Data Services Officer*

*Milissa M. Tadeo*
*Fiscal Officer*

*JoAnne Tarnoff*
*Automation Planning Officer*

*Herbert E. Taylor*
*Research Officer and Economist*

*Marie Tkaczyk*
*Assistant Vice President*

*Sharon N. Tomlinson*
*Staffing and Development Officer*

*Elizabeth S. Webb*
*Assistant Counsel*

*Bernard Wennemer*
*Examination Review Officer*

# ADVISORY COUNCILS

*The Bank's four advisory councils meet regularly with President Boehne and other officers to exchange information and discuss problems. The 1989 members of the advisory councils are listed below.*

## Credit Union Advisory Council

*Chairman*
*Donald A. Stiles*
*Deepwater Industries Federal Credit Union*

*Deputy Chairwoman*
*Teresa C. Trudeau*
*Southwest Germantown Federal Credit Union*

*Edward J. Boyle*
*NJDOT Credit Union*

*William Comrey*
*Pennsylvania Central Federal Credit Union*

*Gladys Duling*
*Louviers Federal Credit Union*

*Alice R. Gift*
*Rohm & Haas Bridesburg Federal Credit Union*

*Helen Hirsch*
*Fischer & Porter Employees Credit Union*

*Marvin Jones*
*Dow Jones Employees Federal Credit Union*

*John H. Marsh*
*Jello Employees Federal Credit Union*

*Rita L. Masselle*
*IMD Federal Credit Union*

*Robert Smith*
*Tri-County Area Federal Credit Union*

*Frank Wielga*
*Pennsylvania State Employees Credit Union*

## Community Bank Advisory Council

*Chairman*
*Frank Kaminski, Jr.*
*Pennsylvania Independent Bank*

*Deputy Chairman*
*Dennis W. DiLazzero*
*Minotola National Bank*

*Gerard M. Banmiller*
*Community National Bank of New Jersey*

*Robert E. Dickerson*
*Baltimore Trust Co.*

*William K. Francis*
*Citizens & Northern Bank*

*Wayne H. Hainley*
*Glendale National Bank of New Jersey*

*Agnes Jones*
*The Grange National Bank of Susquehanna County*

*Lawrence J. LaMaina, Jr.*
*Farmers Bank and Trust Co. of Hanover*

*Robert Mazzei*
*Constitution Bank*

*Jon C. Nichols*
*Felton Bank*

*Harold A. Queen*
*Mauch Chunk Trust Co.*

*George R. Welch*
*Continental Bank of New Jersey*

## Small Business/ Agriculture Advisory Council

*Chairwoman*
*Linda J. McAleer*
*Melior Group*

*Deputy Chairman*
*Walter P. Lomax*
*Lomax Health Systems*

*Marilyn Ababio*
*Paragon Uniforms*

*Walter Ellis*
*New Jersey Farm Bureau*

*William J. Gordy*
*Gordy Farms*

*Thomas E. Holtzhauser*
*Holtzhauser Farms*

*Cynthia Hudson*
*Waterfront Corp.*

*Noah Kreider, Jr.*
*Kreider Farms*

*Howard Papen*
*Papen Farms, Inc.*

*Harold Schuler*
*Harold Schuler Farm*

*Gottfried Schweidler*
*Woodrite, Inc.*

*Abram S. Zeiset*
*Zeiset Farms*

## Thrift Institutions Advisory Council

*Chairman*
*Robert W. Pullo*
*York Federal Savings & Loan Association*

*Deputy Chairman*
*Virgil P. Moir, III*
*Progress Federal Savings Bank*

*Pearl H. Brown*
*Gloucester County Federal Savings Bank*

*Frank M. Calletta*
*Empire Savings Bank, SLA*

*Ronald P. Crouch*
*Ninth Ward Savings and Loan Association*

*Ronald A. Goerner*
*Doylestown Federal Savings and Loan Association*

*Gary L. Holman*
*Homestead Savings Association*

*I. Maximilian Martin*
*Berean Savings Association*

*Stephen D. Miller*
*First Home Savings Bank, SLA*

*John M. O'Brien*
*Central Pennsylvania Savings Association*

*James D. Potts*
*Fidelity Savings and Loan Association of Bucks County*

*Gregory L. Walker*
*Huntingdon Savings and Loan Association*

# STATEMENT OF CONDITION

| ASSETS | DECEMBER 31, 1989 | DECEMBER 31, 1988 |
|---|---|---|
| Gold certificate account | $ 400,000,000 | $ 389,000,000 |
| Special drawing rights certificates | 247,000,000 | 162,000,000 |
| Other cash-coin | 33,396,947 | 29,001,574 |
| Loans and securities: | | |
| Discounts and advances | 45,427,000 | 168,030,000 |
| Federal agency obligations | 188,280,688 | 197,503,576 |
| U. S. government securities | 6,544,053,928 | 6,624,445,534 |
| Total loans and securities | $ 6,777,761,616 | $ 6,989,979,110 |
| Other assets: | | |
| Cash items in process of collection | 442,143,977 | 420,822,813 |
| Bank premises - net | 45,870,427 | 45,902,623 |
| Operating equipment - net | 10,354,006 | 12,004,535 |
| All other | 1,778,717,181 | 596,824,027 |
| Interdistrict settlement account | 862,235,410 | 469,653,714 |
| Total assets | $10,597,479,564 | $9,115,188,396 |
| **LIABILITIES AND CAPITAL ACCOUNTS** | | |
| Note liabilities: | | |
| Federal Reserve notes | $ 7,703,029,054 | $ 6,654,710,948 |
| Deposits: | | |
| Reserve accounts of depository institutions | 1,942,863,835 | 1,776,712,362 |
| U.S. Treasury — general account | 0 | 0 |
| Foreign | 7,350,000 | 7,200,000 |
| All other | 38,169,346 | 5,613,595 |
| Total deposits | $ 1,988,383,181 | $ 1,789,525,957 |
| Other liabilities: | | |
| Deferred availability cash items | 619,328,657 | 374,895,992 |
| All other | 86,780,872 | 90,497,599 |
| Total liabilities | $10,397,521,764 | $ 8,909,630,496 |
| Capital accounts: | | |
| Capital paid in | 99,978,900 | 102,778,950 |
| Surplus | 99,978,900 | 102,778,950 |
| Total liabilities and capital | $10,597,479,564 | $ 9,115,188,396 |

| | 1989 | 1988 |
|---|---|---|
| Current earnings: | | |
| From U.S. government securities | $572,880,876 | $522,231,597 |
| From discounts, advances and miscellaneous sources | 53,384,917 | 17,362,397 |
| From services to depository institutions | 33,690,691 | 32,017,493 |
| Total current earnings | $659,956,484 | $571,611,487 |
| Net expenses: | | |
| Operating expenses (after deducting reimbursable expenses) | $ 60,132,759 | $ 53,212,802 |
| Cost of earnings credits | 10,190,699 | 8,872,596 |
| Total net expenses | $ 70,323,458 | $ 62,085,398 |
| Current net earnings | $589,633,026 | $509,526,089 |
| Additions to current net earnings: | | |
| Gain of sales of government securities | $ 374,603 | $ 693,204 |
| Gain of foreign currency transactions | 62,602,870 | 0 |
| Miscellaneous nonoperating income | 3,555 | 9,075 |
| Total additions | $ 62,981,028 | $ 702,279 |
| Deductions from current net earnings: | | |
| Assessment by the Board of Governors: | | |
| Board expenditures | $ 4,339,100 | $ 4,014,300 |
| Federal Reserve currency | 5,051,423 | 4,421,601 |
| Loss on foreign currency transactions | 0 | 24,522,019 |
| Miscellaneous nonoperating expenses | 4,047,555* | 2,706,399* |
| Total deductions | $ 13,438,078 | $ 35,664,319 |
| Net additions/(deductions) | $ 49,542,950 | $ (34,962,040) |
| Net earnings before payment to U.S. Treasury | $639,175,976 | $474,564,049 |
| Distribution of earnings: | | |
| Dividends paid | $ 6,070,853 | $ 6,039,635 |
| Paid to U.S. Treasury (interest on Federal Reserve notes) | 635,905,173 | 462,991,264 |
| Transferred to/(from) surplus | (2,800,050) | 5,533,150 |
| Net earnings | $ 639,175,976 | $474,564,049 |

* Includes nonreimbursed Treasury services

# OPERATING STATISTICS

| | 1989 | 1988 |
|---|---|---|
| *Millions of dollars* | | |
| Loans to depository institutions | $ 6,265 | $ 7,804 |
| Currency received and counted | 13,182 | 13,422 |
| Coin received and counted | 176 | 166 |
| Checks handled: | | |
| U.S. government | 28,191 | 27,540 |
| All other | 1,032,200 | 859,672 |
| Issues, redemptions and exchanges of | | |
| U.S. government securities | 3,623,004 | 2,495,551 |
| Transfers of funds | 14,199,500 | 8,958,131 |
| Food stamps redeemed | 392 | 369 |
| *Thousands of items processed* | | |
| Loans to depository institutions | 1,965* | 1,566* |
| Currency received and counted | 1,122,300 | 1,098,100 |
| Coin received and counted | 1,068,500 | 1,042,100 |
| Checks handled: | | |
| U.S. government | 27,790 | 27,500 |
| All other | 985,360 | 951,960 |
| Issues, redemptions and exchanges of | | |
| U.S. government securities | 18,370 | 15,100 |
| Transfers of funds | 4,900 | 4,000 |
| Food stamps redeemed | 78,200 | 81,300 |

* *Unrounded data*

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FEDERAL
RESERVE BANK OF
PHILADELPHIA

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