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Credit Risk, Credit Scoring, and the Performance of Home Mortgages

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Institutions involved in lending, including mortgage lending, carefully assess credit risk, which is the possibility that borrowers will fail to pay their loan obligations as scheduled. The judgments of these institutions affect the incidence of delinquency and default, two important factors influencing profitability. To assess credit risk, lenders gather information on a range of factors, including the current and past financial circumstances of the prospective borrower and the nature and value of the property serving as loan collateral. The precision with which credit risk can be evaluated affects not only the profitability of loans that are originated but also the extent to which applications for mortgages that would have been profitable are rejected. For these reasons, lenders continually search for better ways to assess credit risk.

This article examines the ways institutions involved in mortgage lending assess credit risk and how credit risk relates to loan performance.[1] The discussion focuses mainly on the role of credit risk assessment in the approval process rather than on its effects on pricing. Although the market for home purchase loans is characterized by some pricing of credit risk (acceptance of below-standard risk quality in exchange for a higher interest rate or higher fees), mortgage applicants in general are either accepted or rejected on the basis of whether they meet a lender's underwriting standards. The article draws on the extensive literature that examines the performance of home mortgages and the way that performance relates to borrower, loan, and property characteristics.

An increasingly prominent tool used to facilitate the assessment of credit risk in mortgage lending is credit scoring based on credit history and other pertinent data, and the article presents new information about the distribution of credit scores across population groups and the way credit scores relate to the performance of loans. In addition, the article takes a special look at the performance of loans that were made through nontraditional underwriting practices and through "affordable" home lending programs.

DELINQUENCY AND DEFAULT

Delinquency occurs when a borrower fails to make a scheduled payment on a loan. Since loan payments are typically due monthly, the lending industry customarily categorizes delinquent loans as either 30, 60, 90, or 120 or more days late depending on the length of time the oldest unpaid loan payment has been overdue.

Default occurs, technically, at the same time as delinquency; that is, a loan is in default as soon as the borrower misses a scheduled payment. In this article, however, we reserve the term "default" for any of the following four situations:

- A lender has been forced to foreclose on a mortgage to gain title to the property securing the loan.
- The borrower chooses to give the lender title to the property "in lieu of foreclosure."
- The borrower sells the home and makes less than full payment on the mortgage obligation.
- The lender agrees to renegotiate or modify the terms of the loan and forgives some or all of the delinquent principal and interest payments. Loan modifications may take many forms including a change in the interest rate on the loan, an extension of the length of the loan, and an adjustment of the principal balance due.

Because practices differ in the lending industry, not all of the above situations are consistently recorded as defaults by lenders. Moreover, the length of the foreclosure process may vary considerably, affecting

1. Institutions that originate mortgages do not necessarily bear the credit risk of the loans; the risk is often borne, at least in part, by a mortgage insurer or by an institution that purchases mortgages. A previous article in the *Federal Reserve Bulletin* assessed which institutions bear the risks of mortgage lending by examining the distribution of home loans originated in 1994 across the various institutions participating in the mortgage market. See Glenn B. Canner and Wayne Passmore, "Credit Risk and the Provision of Mortgages to Lower-Income and Minority Homebuyers," *Federal Reserve Bulletin,* vol. 81 (November 1995), pp. 989–1016.

the measured default rate. For these reasons, analyses of default experiences can be difficult and are often based on only a subset of actual defaults. Delinquencies, on the other hand, are recorded contemporaneously and generally on a more consistent basis. Therefore, delinquency data may provide a good source of information for analysis, particularly for evaluating the performance of newly originated loans. and for identifying underperforming loans that require greater attention.

The number of borrowers who become delinquent on their loans is much greater than the number of actual defaults. In some cases, delinquency results from a temporary disruption in income or an unexpected expense, such as might arise from a medical emergency. Many of these borrowers are able to catch up on missed payments (and any associated late payment fees) once their financial circumstances improve. In other cases, lenders work with borrowers to establish a repayment plan to bring payments back on schedule.

Delinquencies, particularly serious ones, are often resolved when the borrower sells the property and uses the proceeds to pay off the loan. Even when the proceeds of the sale are insufficient to fully repay the mortgage obligation, the lender may accept a partial payment to avoid foreclosure. Foreclosure is usually a costly process. Lenders face a variety of expenses, including interest accrued from the time of delinquency through foreclosure; legal expenses; costs to maintain the property; expenses associated with the sale of the property; and the loss that arises if the foreclosed property sells for less than the outstanding balance on the loan. Because foreclosure is so costly to lenders, they may encourage delinquent borrowers to sell their homes and avoid foreclosure even if the proceeds of the sale would not cover the entire amount owed on the loan.[2] This alternative is attractive to many borrowers because having a foreclosure recorded on their credit histories is particularly derogatory and will usually be a significant hindrance in their future efforts to obtain credit.

Because default is costly, the interest rates lenders charge incorporate a risk premium. To the extent that the causes of default are not well understood, lenders may charge a higher average price for mortgage credit to reflect this uncertainty. Alternatively, lenders may respond to this uncertainty by restricting credit to only the most creditworthy borrowers. By better distinguishing between applicants that are likely to perform well on their loans from those that are less likely to do so, lenders can ensure wider availability of mortgages to borrowers at prices that better reflect underlying risks.

Default also imposes great costs both on the borrowers involved in the process and on society in general. For borrowers, default ordinarily results in a lower credit rating and reduced access to credit in the future, a loss of assets, and the costs of finding and moving to a new home. When geographically concentrated, defaults can also have a pronounced social effect because they lower local property values, reduce the incentives to invest in and maintain the homes in the affected neighborhoods, increase the risk of lending in those neighborhoods, and thus reduce the availability of credit there.

Theoretical and Empirical Determinants of Credit Risk

Gaining a greater understanding of the factors that determine mortgage loan delinquency and default has been an objective of mortgage lenders, policy makers, and academics for decades. A better understanding of these relationships holds the promise that lenders can more accurately gauge the credit risk posed by different applicants and increase the safety and profitability of mortgage lending.

An extensive literature regarding the theoretical and empirical determinants of mortgage credit risk has developed over the past three decades.[3] This literature emphasizes the important roles of equity in the home and vulnerability to so-called triggering events in determining the incidence of delinquency and default. These studies have enhanced our understanding of the determinants of credit risk and have established a better foundation for consistent and effective mortgage lending.

Theoretical Determinants of Mortgage Loan Performance

Most models of mortgage loan performance emphasize the role of the borrower's equity in the home in the decision to default. So long as the market value of

2. For an assessment of the factors that influence the length of time lenders are willing to allow mortgage loans to remain delinquent before foreclosing, see Thomas M. Springer and Neil G. Waller, "A New Look at Forbearance," *Mortgage Banking,* December 1995, pp. 81–84. For a discussion of the reduced losses to lenders associated with alternatives to foreclosure, see John Bancroft, "Freddie Mac Pushes Alternatives to Foreclosures," *Real Estate Finance Today,* November 6, 1995, pp. 12 and 18.

3. See Roberto G. Quercia and Michael A. Stegman, "Residential Mortgage Default: A Review of the Literature," *Journal of Housing Research,* vol. 3, no. 1 (1993), pp. 341–79.

the home (after accounting for sales expenses and related costs) exceeds the market value of the mortgage, the borrower has a financial incentive to sell the property to extract the equity rather than default.[4] "Option-based" theories provide a framework for understanding the relationship between equity and loan performance; these theories view the amount of equity accumulated in the property as the key determinant of whether a borrower will default. Within this framework, mortgage default is viewed as a *put option,* in which the borrower has the right (option) to transfer ownership of (put) the home to the lender (through foreclosure or voluntarily) to retire the outstanding balance on the loan. Borrowers will be increasingly likely to exercise this option the further the market value of the house falls below the value of the mortgage. However, because of high transaction and other costs (for example, moving expenses and damage to the borrower's credit rating resulting from default), few borrowers would be expected to exercise this option "ruthlessly" (that is, default as soon as equity falls below zero).[5]

Option-based theories of loan performance identify a number of equity-related factors likely to influence default rates. Included among these are the initial loan-to-value ratio (the ratio of the loan amount to the value of the property), which determines the amount of equity at the time of loan origination; current and expected future rates of home price appreciation, which determine the direction, speed, and size of changes in equity levels; the age of the loan, because equity accumulates as payments on a mortgage reduce the amount owed; and the term of the mortgage, because loans of shorter duration are amortized more quickly. In addition, current mortgage interest rates (relative to the rate on an outstanding loan) influence the likelihood of default by affecting the value of the mortgage to a borrower. For example, a mortgage interest rate below current market levels is a disincentive for the borrower to default because a new mortgage would carry a higher rate.

While option-based theories emphasize the role of equity in the home in determining loan performance, other theories of loan performance additionally emphasize the financial footing of borrowers and their corresponding vulnerability to significant adverse changes in their financial or personal circumstances, referred to as "triggering events." In this view, both negative equity and a triggering event would be associated with most defaults. A triggering event alone would not ordinarily cause a default when a borrower has equity in a home; rather, the borrower would sell the property and fully repay the loan to keep the equity (net of transactions costs) and avoid the adverse consequences of a default. On the other hand, in the absence of a triggering event, a borrower would not be expected to exercise the default option ruthlessly because of the large (transaction and reputation) costs the borrower would bear. A default, in this latter case, would occur only if, in the owner's view, the property's value had declined significantly and prospects for its near-term recovery were poor.

Analysts who emphasize the role of triggering events focus on adversities such as reductions in income brought about by a period of unemployment. Other events that may lead to repayment problems include bouts of illness, which may result in both large expenses and a disruption in income, and changes in family circumstances, particularly divorce. Measures of the borrower's vulnerability to such events include ratios of monthly debt payment to income; the level of financial reserves available to the borrower; measures of earnings stability, such as the borrower's employment history; and the borrower's credit history, which in part reflects the borrower's ability and willingness to manage debt payments in the face of changing circumstances.

Option-based and triggering-event theories suggest different relationships between delinquency and default. In the options-based view, delinquency occurs only as a precursor to default and would be evident only among borrowers with substantial negative equity. Triggering-event theories view delinquencies as related to an event and not necessarily to the borrower's level of equity. In this view, delinquencies are not explicitly linked to default but can lead to default if the triggering event is sufficiently severe and the borrower has substantial negative equity in the home.

Empirical Evidence on the Determinants of Mortgage Loan Performance

Empirical investigations have found that both equity and adverse changes in borrowers' circumstances are related to mortgage loan performance, as predicted by theory. Studies consistently find that the level of equity (whether proxied by the loan-to-value ratio at

4. The value of the mortgage is not determined solely by the principal balance owed. It also depends on the relationship between the rate of interest on the loan and the current market rate for mortgages of similar duration.

5. In some states, lenders have the statutory right to seek deficiency judgments against a borrower to try to recover losses incurred as a consequence of default. Such statutory provisions tend to reduce the ruthless exercise of the default option. In many instances, however, borrowers do not have other assets available to cure deficiencies.

the time of origination or by a contemporaneous measure of the ratio) is closely related to both the likelihood of default and the size of the loss in the event of default.

A recent analysis of the performance of nearly 425,000 loans originated over the 1975–83 period illustrates these relationships. The analysis found that conventional mortgages with loan-to-value ratios at origination in the range of 91 percent to 95 percent default more than twice as frequently as loans with loan-to-value ratios in the range of 81 percent to 90 percent and more than five times as often as loans with loan-to-value ratios in the range of 71 percent to 80 percent (table 1). Loss severity (that is, loss to the lender measured as a proportion of the original loan balance) is about 40 percent higher for loans with original loan-to-value ratios in the range of 91 percent to 95 percent than it is with loans with loan-to-value ratios in the range of 81 percent to 90 percent.[6]

Additional evidence regarding the relationship between loan-to-value ratios at time of origination and mortgage default is provided in an analysis conducted by Duff & Phelps Credit Rating Company. They found that among thirty-year fixed rate mortgages, those with a 90 percent loan-to-value ratio are 230 percent more likely to default than loans with an 80 percent loan-to-value ratio and that loans with a 95 percent loan-to-value ratio are 350 percent more likely to default than a loan with an 80 percent loan-to-value ratio.[7]

Research also finds that the likelihood of default is positively related to loan-to-value ratios among single-family loans insured by the Federal Housing Administration (FHA). The default rate among FHA-insured loans with down payments of 3 percent or less is approximately twice as high as the rate among those with down payments of 10 percent to 15 percent, and five times as high as the rate among loans with down payments of 25 percent or more.[8]

1. Proportion of selected mortgages that defaulted by year-end 1992 and resulting severity of loss, by selected loan-to-value ratio ranges

Percent

Performance measure	Loan-to-value ratio (percent)				All
	10–70	71–80	81–90	91–95	
Proportion defaulted	.24	1.11	2.74	6.20	2.16
Average loss severity	22.3	29.2	34.4	47.9	39.2

NOTE. Mortgages were originated during the 1975–83 period and purchased by Freddie Mac. Defaulted loans are those on which Freddie Mac acquired the property through foreclosure. Loan-to-value ratio is the original loan amount divided by the value of the property at origination. Loss severity is the total loss before mortgage insurance payouts (if any) resulting from foreclosure (including interest and transaction costs) divided by the mortgage balance.

SOURCE. Robert Van Order and Peter Zorn, "Income, Location and Default: Some Implications for Community Lending," paper presented at the Conference on Housing and Economics, Ohio State University, Columbus, July 1995.

While research suggests that negative equity is a necessary condition for default, it also suggests that negative equity is not a sufficient condition (most loans with negative equity do not default).[9] In line with the triggering-event explanations, measures of a borrower's ability to pay also explain default and delinquency, although delinquency relationships are less well documented. Default rates have been found to decrease generally with increases in levels of wealth and liquid assets. Further, default likelihoods are closely linked to measures of income stability. Default rates are generally higher for the self-employed and for those with higher percentages of nonsalary income and lower for those with longer employment tenures. Perhaps surprisingly, after controlling for other factors, the initial ratio of debt payment to income has been found to be, at best, only weakly related to the likelihood of default.[10]

Although a borrower's credit history may play an important role in determining mortgage loan performance, few published studies have been able to incorporate such information in their analyses. Relevant credit history data are often difficult to obtain and hard to quantify. The available evidence, however, indicates that loans made to borrowers with flawed credit histories (those who have had difficulties meeting scheduled payments on past loans) default or

6. See Robert Van Order and Peter Zorn, "Income, Location, and Default: Some Implications for Community Lending," paper presented at the Conference on Housing and Economics, Ohio State University, Columbus, July 1995. Further, a number of studies have found that neighborhood and property conditions, which ultimately affect property values and thus equity, are significant factors for mortgage performance. See, for example, James R. Barth, Joseph J. Cordes, and Anthony M.J. Yezer, "Financial Institution Regulations, Redlining, and Mortgage Markets," in *The Regulation of Financial Institutions,* Conference Series 21, Federal Reserve Bank of Boston (April 1980), pp. 101–43.

7. "The State of the Private Mortgage Insurance Industry," Special Report, Duff & Phelps Credit Rating Company, December 1995.

8. See "An Actuarial Review of the Federal Housing Administration's Mutual Mortgage Insurance Fund," prepared by Price Waterhouse for the U.S. Department of Housing and Urban Development, June 6, 1990, p. 12.

9. See Robert Van Order and Ann B. Schnare, "Finding Common Ground," *Secondary Mortgage Markets,* vol. 11 (Winter 1994), pp. 15–19.

10. See Quercia and Stegman, "Residential Mortgage Default"; and James A. Berkovec, Glenn B. Canner, Stuart A. Gabriel, and Timothy H. Hannan, "Race, Redlining, and Residential Mortgage Loan Performance," *Journal of Real Estate Finance and Economics,* vol. 9 (November 1993), pp. 263–94; and Van Order and Zorn, "Income, Location, and Default."

become delinquent more often than loans made to borrowers with good credit histories.[11] The relationship between credit history and loan performance is discussed further in the section on credit scoring.

On balance, defaults likely occur as a result of a combination of factors. Almost uniformly, studies indicate that the level of equity is a robust predictor of default. Studies also demonstrate a significant relationship between mortgage performance and measures of vulnerability to triggering events.

Mortgage Underwriting and Risk Mitigation

Institutions that bear the credit risk of mortgage lending mitigate that risk by screening borrowers and by sharing risk with others. Screening of prospective borrowers is accomplished primarily through the underwriting process, whereby information needed to assess credit risk is collected, verified, and evaluated.

Risk-sharing may take a number of forms. First, and most important, lenders share the risk of default with the borrower by requiring a down payment and establishing a schedule of payments that will fully amortize the loan over a set period of time. Second, lenders often share the credit risk of a loan with either a private mortgage insurer or a government agency such as the FHA or the Department of Veterans Affairs (VA). Finally, lenders may sell a loan to another party under arrangements that partly or fully transfer the credit risk. The institutions that share or assume the risk of lending do not solely rely on the screening done by mortgage originators but also make independent assessments.

The Underwriting Practices of Mortgage Lenders

Lenders pursue different business strategies, and their underwriting practices and standards reflect those strategies. Some lenders choose to underwrite mortgages more strictly and thus limit their exposure to losses. Others accept more credit risk but also price for this risk, attempting to recoup higher expected losses by charging higher fees or interest rates on riskier mortgages. Still others may choose to specialize in financing certain types of properties or borrowers.

In assessing credit risk, lenders consider the size of the proposed down payment and the value of the collateral as determined by a property appraisal, which together determine the loan-to-value ratio. Lenders also evaluate the capacity of the prospective borrower to meet scheduled debt payments and to provide the initial funds required to close the loan. In so doing, lenders rely on many of the same factors that researchers have found to be important predictors of loan performance, including borrower sources of income; employment history (such as measures of employment stability and prospects for income growth); ratios of debt payment to income; and asset holdings, particularly the amount of liquid assets available to meet down-payment, closing cost, and cash reserve requirements.[12]

In addition, lenders evaluate the credit history of prospective borrowers as an indicator of their financial stability, ability to manage credit, and willingness to make timely payments. Credit histories are often complex and consist of many items, including the number and age of credit accounts of different types, the number of recent inquiries to the credit file, account activity patterns, the incidence and severity of payment problems, and the length of time since any payment problems occurred.

Some applicants fall well within the underwriting guidelines established by lenders, whereas others fall far below the standards. The decision to either approve or deny loan requests from such applicants is generally straightforward. Frequently, however, the decision is less clear-cut. For example, an applicant may fail to meet one of many established underwriting guidelines, such as a satisfactory record of payments on past debts.[13]

Lending policies generally allow for flexibility in implementation so that applicants may offset weakness in one factor with strength in others. For example, even if an applicant's ratio of debt payment to income exceeds a lender's established guidelines, the

11. See, for example, Wilson Thompson, "A Model of FHA's Origination Process and How it Relates to Default and Non-Default," Working Paper, Department of Housing and Urban Development (1980); and Gordon H. Steinbach, "Ready to Make the Grade," *Mortgage Banking* (June 1995), pp. 36–42.

12. Most lenders require borrowers to have cash reserves sufficient to cover two months of mortgage payments (including principal, interest, and tax and insurance escrows) at the time of closing. This reserve may provide a cushion should the borrower suffer a temporary financial setback, and it is a signal to the lender that the borrower has the discipline to accumulate savings.

13. For example, a study of mortgage lending in Boston found that more than 80 percent of the applicants for home purchase loans appeared either to have a weakness in their credit histories or to fail to meet some other underwriting standard. See Alicia H. Munnell, Lynn E. Browne, James McEneaney, and Geoffrey M.B. Tootell, "Mortgage Lending in Boston: Interpreting HMDA Data," *American Economic Review,* vol. 86 (March 1996), pp. 25–53.

lender may approve the loan if the applicant exhibits very stable income and an excellent credit history. Similarly, a lender might consider a large down payment to be a compensating factor offsetting weakness in some other area. Lenders will generally weigh all the factors and in some cases seek additional information in attempting to make a more precise evaluation of credit risk.

Risk Sharing

Originators of mortgage loans typically share or transfer risk by requiring borrowers to purchase mortgage insurance or by selling mortgages to secondary-market institutions. For most mortgages, all or a significant portion of the credit risk is borne by a party other than the originator of the loan. For instance, credit risk was either shared or transferred on nearly three-fourths of all the home purchase loans originated in 1994.[14]

Mortgage lenders generally require a down payment of at least 20 percent of the appraised value of a home, unless the mortgage is backed by a type of insurance, paid for by the borrower, known as mortgage guarantee insurance. Mortgage insurance for low-down-payment loans is available from the federal government, primarily through programs administered by the FHA and the VA and from private mortgage insurance (PMI) companies.

When a loan is backed by mortgage insurance, much of the credit risk is transferred to the insurer. Should the borrower default, the insurer will reimburse the lender for the losses resulting from default, up to certain limits. Mortgage insurers, like loan originators, establish underwriting standards that determine which loans they will insure and how much credit risk they will bear. Lenders may encourage applicants seeking mortgages with low down payments and those posing higher risks to apply for government-backed loans rather than conventional loans backed by PMI because the greater depth of insurance coverage provided by the government on such loans affords the lender greater protection in the event of default.

Secondary-market institutions buy and sell billions of dollars of mortgages and securities backed by mortgages each year. Secondary-market institutions promulgate the underwriting guidelines that loans must meet to be eligible for purchase or securitization. Three government-sponsored enterprises (GSEs) dominate secondary-market activity—the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), and the Government National Mortgage Association (Ginnie Mae). Fannie Mae and Freddie Mac mainly buy conventional mortgages, holding some in portfolio and converting others into securities that are sold to investors. Ginnie Mae does not purchase loans but guarantees the timely payment of interest and principal for privately issued securities backed by mortgages insured by the FHA or VA. Various non-GSE institutions, including commercial banks, savings associations, insurance companies, and pension funds are also active purchasers of mortgages.

Mortgage insurers and secondary-market institutions generally consider the same set of factors originators review when assessing credit risk. The underwriting standards applied, however, will differ across institutions in accordance with their various business strategies and tolerance for risk. Private mortgage insurers, for example, while backing loans with high loan-to-value ratios, generally require borrowers to make larger down payments and pay a larger share of the closing costs than do the FHA and VA.[15]

Sometimes mortgage originators do not share credit risk with other institutions. Unlike mortgage insurers and secondary-market institutions, which are generally remote from borrowers, institutions that both originate and bear the credit risk of mortgages (known as portfolio lenders) are typically located in the communities where they extend credit and have numerous other financial relationships with their communities. For these reasons, portfolio lenders may have better information about local economic conditions and the risks posed by individual borrowers, which, in turn, may enable them to better measure and mitigate the risks associated with mortgage lending. With better information to gauge credit risk, portfolio lenders may be able to profitably originate some loans that do not meet the underwriting standards established by secondary-market institutions and PMI companies.

Credit Scoring and the Mortgage Lending Process

Mortgage lending institutions establish guidelines for underwriters to follow when evaluating applications

14. See Canner and Passmore, "Credit Risk and the Provision of Mortgages," p. 998.

15. See Glenn B. Canner, Wayne Passmore, and Monisha Mittal, "Private Mortgage Insurance," *Federal Reserve Bulletin,* vol. 80 (October 1994), pp. 883–99.

for credit, but they also rely heavily on the experience and judgment of underwriters when assessing credit risk. Relying on subjective analysis has some important limitations, however. Loan officers differ in their experience and in their views regarding the relationships between risk and specific credit characteristics of applicants. Consequently, an institution cannot be sure that its underwriters are approving all applications that have risk profiles consistent with the objectives of the institution. In addition, because of the numerous and often complex factors mortgage underwriters need to consider, subjective underwriting is time-consuming and costly.

To facilitate the mortgage underwriting process, reduce costs, and promote consistency, "credit scoring" models have been developed that numerically weigh or "score" some or all of the factors considered in the underwriting process and provide an indication of the relative risk posed by each application. In principle, a well-constructed credit scoring system holds the promise of increasing the speed, accuracy, and consistency of the credit evaluation process while reducing costs. Thus, credit scoring can reduce risk by helping lenders weed out applicants posing excessive risk and can also increase the volume of loans by better identifying creditworthy applicants.

Generically, scoring is a process that uses recorded information about individuals and their loan requests to predict, in a quantifiable and consistent manner, their future performance regarding debt repayment. Scores represent the estimated relationship between information obtained from credit bureau reports or loan applications and the likelihood of poor loan performance, most often measured as delinquency or default (see box "Developing a Credit History Scoring System").

Scoring has been used to assess applications for motor vehicle loans, credit cards, and other types of consumer credit for decades.[16] Technological advances in information processing and risk analysis combined with competitive pressures to process applications more quickly and efficiently are pushing the lending industry to incorporate scoring in the mortgage underwriting process.

Mortgage lenders ordinarily consider two kinds of scores: those that are based primarily on the credit histories of individuals and those that weigh credit history as well as the other factors considered in the underwriting process. The former will be referred to here as "credit history" scores and the latter as "application" scores. Because they reflect the wide range of factors considered in the evaluation of credit risk, application scores are more comprehensive than credit history scores. The credit history score is, then, a single element to be weighed along with the other factors in determining the total application score.

Credit History Scores

The difficulties in assessing the often complex information about individuals' past and current experience with credit has helped motivate the adoption of scoring methods for interpreting credit history. A credit history score represents the estimated relationship between information on the credit histories of individuals contained in credit bureau reports and the likelihood of poor loan performance. In credit history scoring systems, prospective applicants receive a numerical score based on their individual credit history information; the score reflects the historic performance of loans extended to individuals with similar characteristics. Individuals with identical credit scores may have received them for different reasons, but within the context of the credit scoring index, they are assessed to have equal likelihoods of the predicted behavior, that is, they are considered to pose the same credit risk.

Credit history scores can supplement or even replace the traditional subjective assessment of credit history with a quantitative measure summarizing the pertinent information in an applicant's credit report. Adding a statistically derived measure of the credit risk associated with a given credit history may allow underwriters to better and more quickly assess the strengths and weaknesses of applications.

Each of the three national credit bureaus, Equifax, TRW, and Trans Union, make available credit history scores—developed by Fair, Isaac and Company, Inc. (FICO)—based on information contained in each of the credit bureau's files. These generic credit history scores—the Equifax Beacon, the TRW-FICO, and the Trans Union Empirica scores—are made available to help lenders assess risk on a wide variety of loans. In addition, credit history scores tailored to the mortgage market (mortgage credit history scores) are now available; these scores are specifically designed to assess the credit history risk of mortgage loans.[17]

16. See Robert A. Eisenbeis, "Problems in Applying Discriminant Analysis in Credit Scoring Models," Board of Governors of the Federal Reserve System, Staff Economic Studies (1977); and Edward M. Lewis, *An Introduction to Credit Scoring* (San Rafael, Calif.: Athena Press, 1990).

17. See "Equifax, Inc. Develops Mortgage Credit Scoring System," *National Mortgage News,* June 13, 1994, p. 25. A number of "custom" credit history scoring models have been developed for specific lenders to assess credit risk for specific loan products.

Recent events have ensured that credit history scores will be used much more often in the mortgage lending process than they have been in the past. Most prominently, letters issued by Fannie Mae and Freddie Mac in 1995 strongly encourage the thousands of lenders from whom they purchase loans to consider the Beacon, TRW-FICO, and Empirica credit history scores in their loan underwriting.[18]

Application Scores

Based on all information relevant to a loan application, application scores are most often used to deter-

18. See Fannie Mae Letter LL09-95 to all Fannie Mae lenders from Robert J. Engelstad, "Measuring Credit Risk: Borrower Credit Scores and Lender Profiles," October 24, 1995; and Freddie Mac Industry Letter from Michael K. Stamper, "The Predictive Power of Selected Credit Scores," July 11, 1995. As an alternative, Freddie Mac and Fannie Mae recommend that, when underwriting loans, lenders consider credit history scores that are calculated to predict bankruptcy. The generic bankruptcy scores are the Equifax Delinquency Alert System, Trans Union's Delphi score, and the TRW-MDS score. Also see Marshall Taylor, "Secondary Markets Explain Credit Scores," *Real Estate Finance Today*, April 1, 1996, p. 16.

Developing a Credit History Scoring System

Developing a credit history scoring system requires information about the experiences of individuals with credit.[1] Information is ordinarily drawn from credit account files maintained by credit bureaus and sometimes from records maintained by lending institutions. The credit account files of individuals are segregated into groups based on measures of loan performance. Ordinarily, the credit account files are segregated into two distinct categories: those in which debts have not been paid as scheduled as of a specified date or during a specified time period (referred to here as "bad" accounts) and the rest ("good" accounts). Bad credit accounts can be defined in various ways depending on the severity of observed credit difficulties. For example, bad accounts might include any file with at least one thirty-day delinquency within the past year, or they may be limited to accounts that have had more serious delinquencies.

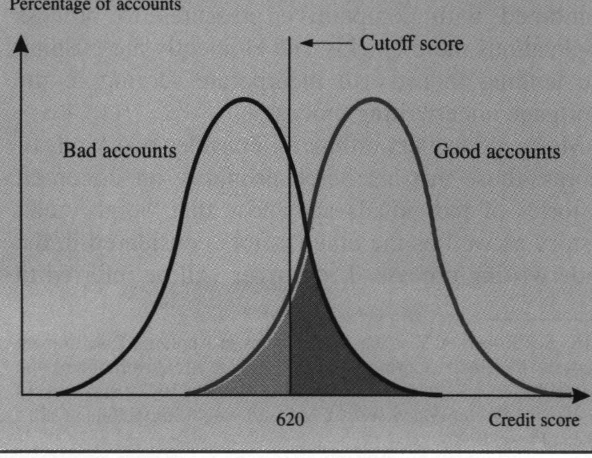
Having sorted the files according to performance as of a specified date or during a specified period, the analyst then focuses on information in the credit files from a preceding time period that might have predicted the performance outcome. Detailed information drawn from each credit file is then recorded for statistical analysis. The selection of specific items is often based on discussions with loan underwriters plus a preliminary (bivariate) statistical analysis of the relationship between individual credit factors and loan performance. The information recorded pertains primarily to the individual's experience with credit.

The analyst then uses multivariate statistical analysis of the recorded information to identify which *set* of characteristics is most useful in identifying borrowers who are likely to meet their scheduled payments and those who are not. The statistical analysis provides weights (or scores) for each factor, ranking its relative importance in predicting into which group an individual will fall. Applying these weights to the characteristics of individual accounts yields a total score for each individual. Most credit scoring systems that are widely used have adopted a scale with a range of scores between 300 and 900, with higher scores corresponding to lower credit risk.

Both the good accounts and the bad accounts will have files with a wide range of scores. However, if the credit scoring system is predictive of performance, good accounts will have the highest percentage of high scores and bad accounts likewise will have the highest percentage of low scores. The predictive power or performance of a scoring model is measurable, and the developer of the model looks for the combination of attributes of the borrower's credit history that will maximize the score's predictive power.

The distribution of total scores for individuals falling into the good or bad categories can be described graphically (see diagram). As shown, the good accounts tend to cluster around a higher average score than do the bad accounts. To operate a scoring system for credit underwriting, a lender must select a cutoff score (such as 620) that can be used to distinguish acceptable from unacceptable risks. Regardless of the cutoff score selected, some customers with bad scores will be offered credit because of offsetting factors, and some customers with good scores will be denied credit, also because of offsetting factors.

Distribution of credit scores of good and bad accounts



1. Federal law prohibits lenders from considering certain factors such as gender, race, or ethnicity in making credit decisions. Consequently, these factors are not used in constructing credit scoring models, and age and marital status can be considered only under certain circumstances.

mine which credit requests are clearly acceptable under established underwriting guidelines and which need further review. The use of application scores differs among the participants in the mortgage market: Loan originators generally use application scores to identify applications eligible for streamlined underwriting; secondary-market institutions use them to facilitate loan purchases; and PMI companies use them to help screen applications for mortgage insurance.

As a screen for streamlined underwriting, a threshold score corresponding to low credit risk is established by the lender. Applicants with scores within the low-risk range generally would be eligible for a streamlined review that focuses primarily on verification of reported information and evaluation of the collateral. Streamlined underwriting allows those making credit decisions to reduce costs by enabling underwriters to spend less time on the low-risk applications and more time on those applications that involve more complexity and potential risk.[19] Importantly, streamlined underwriting also benefits many customers by shortening the amount of time between the date of application and the credit decision.

Secondary-market institutions also use application scores. Freddie Mac and Fannie Mae, for instance, have developed application scoring systems that indicate to the lender whether a prospective loan is clearly eligible for sale to these institutions or whether the lender will need to show that compensating factors exist that make the loan an acceptable credit risk.[20]

Private mortgage insurance companies use application scoring systems to quickly identify those prospective loans that clearly meet the underwriting standards of the insurer. Loan applications that fail the automated screen are reviewed by an underwriter to determine whether compensating factors are present that would make the loan insurable. Mortgage Guarantee Insurance Corporation (MGIC), for example, reports that about 30 percent of the applications they receive for mortgage insurance are approved through their automated application system; the remaining applications are referred to underwriters for closer review.[21]

Most credit history and application scoring systems are proprietary, and the specific factors used and the risk weights assigned to these factors in establishing scores are not generally available to the public. As a consequence, scoring systems have a "black box" aspect to them. Nonetheless, most scoring systems share a number of elements. For example, most credit history scoring systems consider records of bankruptcy, current and historic ninety-day delinquencies, and the number of credit lines. Most mortgage application scoring systems additionally consider factors such as the loan-to-value ratio, the ratio of debt payment to income, and measures of employment stability. However, the risk weights assigned to these factors vary from system to system.

Other Uses of Credit Scoring

Credit history scores and application scores have uses other than in the loan underwriting process. To monitor the quality of their portfolio and to determine the appropriate level of reserves to set aside for losses, lenders may periodically obtain credit scores for borrowers with outstanding loans. Similarly, institutions can use credit scores to evaluate the quality and value of mortgages they are considering for sale. For example, credit scores can help identify the credit risk of seasoned loans and help determine the appropriate grade (risk) pool into which individual loans should be placed for sale to the secondary market.

Lenders may use credit scores to differentiate risk categories of loans for pricing decisions. Rather than reject higher-risk loans for origination or purchase, the lender may decide to price the risk by requiring an interest rate premium on those loans with higher predicted probabilities of default. The use of credit scores can also help with the collection and loss mitigation process by, for example, allowing lenders to concentrate staff resources on borrowers whose credit scores indicate greater risk of delinquency.

Finally, lenders can use credit scores to facilitate strategic planning decisions. For instance, lenders concerned about possible attrition in their loan portfolio due to competition for refinancings may offer a new loan to those current borrowers whose credit scores indicate that they would be most attractive to potential competitors.

Limitations of Scoring

Although credit scoring can reduce costs and bring more consistency to the underwriting process, its reliability depends upon the accuracy, completeness, and timeliness of the information used to generate the

19. See, for example, Janet Sonntag, "The Debate Over Credit Scoring," *Mortgage Banking* (November 1995), pp. 46–52.

20. The automated underwriting systems developed by Freddie Mac and Fannie Mae are known respectively as "Loan Prospector" and "Desktop Underwriter."

21. See Jim Kunkel, "The Risks of Mortgage Automation," *Mortgage Banking* (December 1995), pp. 45–57.

scores. For example, credit scores based on erroneous or seriously incomplete credit report information are not likely to accurately measure the risk posed by an individual applicant and may lead to unwarranted actions on an application (see box "How To Obtain Your Credit Report and What To Do To Correct Errors in the Report").

Also, concerns have been expressed that credit scores may not accurately gauge the creditworthiness of individuals whose experiences differ substantially from those on whom the index is based. If the baseline population used to generate the scoring index is not sufficiently diverse, then scores may lack predictive power for the underrepresented segments of the overall population. For example, rent, utility, and other nonstandard payment histories, which are often considered important for low-income populations, are frequently left out of scoring models. Thus, scores for these populations may not reliably assess individual risk.

Another set of concerns surrounds the use of credit scores more generally in the underwriting process. Lenders relying too heavily on scores might not give adequate consideration to special circumstances, such as a recent illness, that might mitigate a low score. Further, scores may lack predictive power if the underlying model used to generate the scores does not reflect current relationships between risk characteristics and measures of loan performance. Builders of credit scoring models report that model performance deteriorates over time. Thus, periodic validation may be necessary to ensure that scoring models retain their accuracy.

Credit scoring and its application to mortgage markets are evolving. Credit history scores, for example, traditionally have been based on the payment performance of a cross-section of consumers who have used credit, not all of whom have incurred mortgage debt. But consumer behavior with respect to mortgage debt may differ from behavior with respect to consumer debt. Consumers facing financial difficulties may, for instance, choose to pay their mortgage obligations first and postpone payments on other debts. For this reason, one might expect that a credit scoring model developed specifically for the mortgage market would provide more accurate predictions of future mortgage payment performance than a generic credit history score, even before the borrower has obtained a mortgage.

The development of models for credit history scores and application scores based on the payment performance of mortgage holders has historically been hampered by incomplete information about which consumers have mortgages and about other characteristics of these consumers. Also, many individual lenders have made too few mortgages to develop a sound mortgage credit scoring model. Recently, however, developers of scoring models have integrated information from several sources to develop both mortgage credit history scores and mortgage application scores.

How To Obtain Your Credit Report and What To Do To Correct Errors in the Report

In 1970 the Congress enacted the Fair Credit Reporting Act (FCRA) to give consumers specific rights in dealing with credit bureaus. The FCRA requires credit bureaus to furnish a correct and complete consumer credit report to businesses or persons to use in evaluating consumer applications for credit, insurance, a job, or other legitimate business need in connection with a transaction involving the consumer.

Consumers can obtain a copy of their credit file from a credit bureau. A reasonable fee may be charged for the report. If a consumer has been denied credit, insurance, or employment because of information that was supplied by a credit bureau, the FCRA requires that the recipient of the report give the consumer the name and address of the credit bureau that supplied the information. The consumer then has the right to obtain the report free of charge if requested within thirty days of receiving a notice of denial. Reports can be requested by phone at the following numbers: Equifax—1-800-685-1111; Trans Union—1-800-916-8800; and TRW—1-800-682-7654.

Consumers have the right to dispute the information in their credit files if they believe that their credit reports contain errors or are incomplete. When a credit bureau receives a complaint of this nature, it must investigate and record the current status of the disputed items within a reasonable period of time. If the credit bureau cannot verify a disputed item, it must delete it from the file. The credit bureau is required to correct any information confirmed to be erroneous and to add any information that has been omitted.

If the credit bureau's investigation does not resolve a dispute, the consumer may file a brief statement explaining the nature of the dispute. The credit bureau must include this statement in the report each time it is sent out.

The Federal Trade Commission is the federal agency that enforces the FCRA. Questions or complaints related to a credit report may be directed to the Correspondence Branch of the Federal Trade Commission, Washington, DC 20580. Free copies of publications discussing credit issues are available from Public Reference at the same address.

CREDIT HISTORY SCORES AND MORTGAGE PERFORMANCE

Relatively little information about the relationship between credit history scores and mortgage loan performance is publicly available. However, recently obtained proprietary information (courtesy of Equifax Credit Information Services, Inc., one of the three large national repositories of credit information) relates credit scores to loan performance for a large sample of mortgage loans. The sample contains virtually all of the mortgages that were outstanding and whose payments were current as of September 1994 at three of the largest lenders in the country. The sample is not, however, necessarily representative of the pool of borrowers nationwide; these lenders do not, for example, participate in all markets, nor do they offer all types of mortgages. To ensure confidentiality, no information was included in the data that could be used to identify individuals or financial institutions.

The data for each loan include a mortgage credit history score, "The Mortgage Score" (TMS), developed by Equifax Mortgage Services and generated as of September 1994.[22] TMS was developed by Equifax on the basis of the credit records of mortgagors and the payment performance on their mortgage accounts. The data also include measures of the performance of each loan over the subsequent twelve months (to September 1995); the date the loan was originated; the loan type (conventional or government-insured and whether the interest rate on the loan was fixed or variable); the ZIP code of the property securing the loan; and characteristics of the loan such as loan size and loan-to-value ratio at the time of origination. All loans in the sample were current in their mortgage payments as of September 1994, the date the TMS was determined. For our analysis, loans with payments at least thirty days late at any point during the performance period (September 1994 through September 1995) are defined as delinquent.

For loans originated within the year preceding September 1994, the TMS reasonably approximates the credit history score that could have been used in underwriting the loan. These loans, then, allow an examination of the relationship between credit history scores at the time of origination and near-term loan performance. For more seasoned (older) loans, the TMS as of September 1994 does not necessarily reflect the borrower's credit record at the time the loan was originated. Therefore, the sample relationship between the TMS and loan performance does not necessarily reflect the predictive value of credit history scores at the time of loan origination. However, the older loans in the sample can be used to demonstrate how lenders can use credit scores to help monitor or evaluate the credit risk of seasoned loan portfolios.

To analyze these relationships, we separated loans into three types (conventional fixed rate, conventional adjustable rate, and government-backed) and two "seasoning" categories (newly originated and seasoned) and then sorted them into three credit score ranges—low, medium, and high—based on their TMS scores (which, again, are mortgage credit history scores). Newly originated loans are those issued after September 1993; seasoned loans are those that were originated between January 1990 and September 1993. The three ranges of TMS scores correspond to the specific ranges identified in the Fannie Mae and Freddie Mac letters to mortgage lenders on the use of the generic credit history scores (the Beacon, TRW-FICO, and Empirica scores) in underwriting loans.[23]

TMS scores in the low range correspond to generic credit history scores that Freddie Mac has identified as showing "a strong indication that the borrower does not show sufficient willingness to repay as agreed" (generic credit history scores below 621). TMS scores in the medium range correspond to generic scores about which Freddie Mac has sufficient concern to require a more detailed evaluation of the credit history file (generic credit history scores in the 621–660 range). TMS scores in the high range correspond to generic scores in a range at which, unless additional credit history risks are identified, "the borrower's willingness to pay as agreed is confirmed" (generic credit history scores above 660).

The distributions of mortgage loans by credit score range for the three types of loans sorted by seasoning status, and the delinquency rate within each range, are shown in table 2. The vast majority of both newly originated and seasoned loans have credit scores in the high range. For example, more than 90 percent of conventional fixed rate mortgages have credit scores

22. The Mortgage Score and TMS are service marks of Equifax Mortgage Services.

23. See note 18. The scales of the generic credit history scores and of the TMS differ. Using the Equifax data on individuals scored with both a generic credit history score and the TMS score, we set cutoffs for the TMS score at a level designed to capture the same percentages of borrowers in the low, medium, and high ranges as were implied by the cutoffs of the generic credit history scores identified in the Freddie Mac and Fannie Mae letters.

2. Mortgage loans, grouped by seasoning status, type, and payment status and distributed by credit score

Percent

Loan	Credit score range				Memo: Number of sample loans	
	Low	Medium	High	All	Total	Delinquent
Newly originated						
Conventional fixed rate	1.5	4.9	93.6	100	109,433	417
Delinquencies in score range						
As percentage of all delinquent loans of this type and seasoning	17.3	21.8	60.9	100	...	...
Memo: As percentage of all loans of this type and seasoning in score range	4.4	1.7	.2	.4	...	...
Conventional adjustable rate	3.8	8.3	87.8	100	24,075	119
Delinquencies in score range						
As percentage of all delinquent loans of this type and seasoning	18.5	24.4	57.1	100	...	...
Memo: As percentage of all loans of this type and seasoning in score range	2.4	1.4	.3	.5	...	...
Government-backed fixed rate	12.8	16.7	70.5	100	36,596	985
Delinquencies in score range						
As percentage of all delinquent loans of this type and seasoning	52.0	25.2	22.8	100	...	...
Memo: As percentage of all loans of this type and seasoning in score range	10.9	4.0	.9	2.7	...	...
Seasoned						
Conventional fixed rate	2.1	4.9	93.0	100	257,741	1,909
Delinquencies in score range						
As percentage of all delinquent loans of this type and seasoning	32.4	19.6	48.0	100	...	...
Memo: As percentage of all loans of this type and seasoning in score range	11.4	2.9	.4	.7	...	...
Conventional adjustable rate	7.6	10.7	81.8	100	125,384	2,423
Delinquencies in score range						
As percentage of all delinquent loans of this type and seasoning	42.5	21.7	35.8	100	...	...
Memo: As percentage of all loans of this type and seasoning in score range	10.9	3.9	.8	1.9	...	...
Government-backed fixed rate	13.7	15.5	70.9	100	67,913	2,786
Delinquencies in score range						
As percentage of all delinquent loans of this type and seasoning	59.9	19.4	20.7	100	...	...
Memo: As percentage of all loans of this type and seasoning in score range	18.0	5.1	1.2	4.1	...	...

Note. Newly originated loans were originated during the October 1993–June 1994 period. Seasoned loans were originated during the January 1990–September 1993 period.

The credit score is The Mortgage Score (TMS; service mark of Equifax Mortgage Services), a mortgage credit history score derived from a model based exclusively on the credit records of households with mortgages and their payment performance on mortgage loans. The credit score for each loan was calculated at the end of the third quarter of 1994.

Score ranges have been structured to roughly approximate the generic credit bureau score ranges used by Freddie Mac for evaluating whether an application for a mortgage meets its underwriting guidelines. The ranges for The Mortgage Score correspond to generic credit bureau scores (Beacon, TRW-FICO, Empirica) as follows: low = less than 621, medium = 621–660, and high = more than 660.

Delinquent accounts are those on which a payment was at least thirty days past due at any time during the period from September 30, 1994, through September 30, 1995.

. . . Not applicable.

Source. Equifax Credit Information Services, Inc.

in the high range. Relative to conventional fixed rate mortgages, a larger proportion of conventional adjustable rate mortgages and an even larger proportion of government-backed loans have low credit scores. For each type of loan, the proportion of seasoned loans with low scores is larger than that of newly originated loans.

Delinquency rates are low for each loan type regardless of seasoning status. The highest overall rate of delinquency, that for government-backed seasoned loans, is only 4.0 percent (table 2). These delinquency rates should be viewed in the context of several considerations that bias the results in opposite directions. On one hand, the rate is for delinquencies arising at any time over a twelve-month period and thus overstates the likelihood of a loan being delinquent at any point in time. On the other hand, economic conditions over this particular twelve-month period were relatively favorable, and all loans had to have been current in their payments at the beginning of the performance period. These latter factors tend to reduce measured delinquency rates.

The data indicate that TMS scores are a predictor of loan performance. For each loan type, regardless of seasoning status, borrowers with low scores have substantially higher delinquency rates than those with medium or high scores. For example, the delinquency rate for newly originated government-backed loans with low TMS scores is 10.9 percent, compared with 4.0 percent for those with medium scores and 0.9 percent for those with high scores.

The relationship between credit scores and delinquency rates is further evidenced by the distribution of delinquent borrowers across credit score ranges for each type of loan. These distributions show that delinquent borrowers disproportionately have scores in the low range. Borrowers with low credit scores accounted for only 1.5 percent of all newly originated conventional fixed rate loans but for 17 percent of those that became delinquent (table 2, memo item). This relationship holds for other product types and seasoned loans as well. For example, borrowers with low credit scores accounted for 2.1 percent of all seasoned conventional fixed rate mortgages, but they accounted for 32 percent of those that became delinquent.

The data, however, also consistently show that most borrowers with credit scores in the low range are not delinquent. For example, in the case of newly originated conventional fixed rate loans, only 4.4 percent of borrowers with low credit scores became delinquent over the performance period. Thus, while delinquent borrowers disproportionately have low scores, most borrowers with low scores are not delinquent.

Distinct differences exist in delinquency rates across loan types and seasoning status. Within each credit score range and loan type, seasoned loans have higher delinquency rates than newly originated loans have.[24] For example, the delinquency rate for newly originated conventional adjustable rate mortgages with low credit scores is 2.4 percent, but the rate for seasoned conventional adjustable rate loans with low scores is 10.9 percent. Controlling for score and seasoning, government-backed loans have the highest rates of delinquency, a result consistent with data on relative delinquency rates from other sources.[25]

Detailed information on the distribution of TMS scores by loan performance, type of loan, and mortgage and location characteristics for newly originated loans is presented in tables 3, 4, and 5. In general, loans with lower loan-to-value ratios and loans on properties located in areas with higher relative incomes and higher relative home values have higher mean and median TMS scores and a lower percentage of borrowers with low and medium scores than other loans. These relationships hold for delinquent loans as well as for loans that were paid on schedule. For example, for newly originated conventional fixed rate mortgage loans (table 3 and chart 1), the mean TMS score for paid-as-scheduled loans with loan-to-value ratios less than 81 percent is 50 points higher than the mean score for those with loan-to-value ratios of more than 90 percent. Similarly, 94.5 percent of the loans with loan-to-value ratios of less than 81 percent are in the high credit score range, compared with 84.6 percent for those with loan-to-value ratios of more than 90 percent.

For each loan type, the mean and median TMS scores for delinquent loans are 100 to 150 points lower than the mean and median scores for those that were paid on schedule, and these differences are statistically significant. Similarly, the percentage of borrowers in the low credit score range is at least four to five times higher for delinquent loans than for loans that were paid as scheduled. These relationships hold across all subcategories of loans.

Additional information relating credit history scores to mortgage loan performance was provided by Freddie Mac (table 6). These data pertain to loans for single-family owner-occupied properties purchased by Freddie Mac in the first six months of 1994. Performance is measured by whether the loan had entered into foreclosure by the end of 1995. Foreclosure rates for different categories of loans are expressed relative to the rate for borrowers with loan-to-value ratios of 80 percent or less and high credit history scores, which was set to 1.[26]

Foreclosure rates are substantially higher for borrowers with low credit scores as well as for those with high loan-to-value ratios (table 6). Moreover, borrowers with low credit scores perform worse within each loan-to-value ratio category. The foreclosure rate is particularly high for borrowers with both low credit scores and high loan-to-value ratios—almost 50 times higher than that for borrowers with both high credit scores and low loan-to-value ratios. This finding, that loan performance deteriorates significantly when risks are high for multiple factors ("layering of risk"), is discussed at length later in this article.

The relationship between borrower income and loan performance appears to be slight. Within each credit score and loan-to-value ratio category, borrowers with income below 80 percent of area median

24. This result is consistent with other research, which indicates that delinquency rates increase as loans age, at least for the first few years after origination. See, for example, chart 1 in *The Market Pulse*, Mortgage Information Corporation (vol. 1, January 1996), p. 1.

25. See Mortgage Bankers Association National Delinquency Survey.

26. The credit score ranges are comparable to those used in tables 2 through 5.

3. Newly originated conventional fixed rate mortgage loans, grouped by payment performance and characteristic and distributed by credit score

Percent except as noted

Performance of mortgage and characteristic	Credit score								Total	
	Mean[4]	Median[4]	Low		Medium		High			
			Percent of characteristic	MEMO: Percent of score range	Percent of characteristic	MEMO: Percent of score range	Percent of characteristic	MEMO: Percent of score range	Percent of characteristic	MEMO: Percent of all loans
PAID AS SCHEDULED										
Mortgage characteristic										
Loan-to-value ratio (percent)										
Less than 81	845	865	1.2	72.9	4.3	77.6	94.5	87.1	100	86.5
81 to 90	818	840	2.6	19.8	7.1	16.2	90.3	10.5	100	10.9
More than 90	794	811	4.0	7.3	11.4	6.2	84.6	2.4	100	2.6
All[1]	841	861	1.4	100	4.8	100	93.8	100	100	100
Loan size (dollars)										
Less than 100,000	836	859	1.9	47.5	5.7	41.9	92.4	35.0	100	35.5
100,000–200,000	839	859	1.4	33.8	5.0	35.0	93.6	33.8	100	33.9
More than 200,000	847	866	.9	18.7	3.6	23.1	95.5	31.2	100	30.6
All	841	861	1.4	100	4.8	100	93.7	100	100	100
Location characteristic										
ZIP code median income (percentage of area median income)[2]										
Less than 80	823	846	2.3	9.0	7.7	9.0	90.1	5.5	100	5.7
80 to 120	837	857	1.6	52.2	5.2	50.6	93.2	46.7	100	47.0
More than 120	847	867	1.2	38.8	4.1	40.4	94.7	47.8	100	47.3
All	841	861	1.4	100	4.8	100	93.7	100	100	100
Home values (percentage of area median home value)[3]										
Less than 80	826	847	2.2	20.7	6.6	18.8	91.3	13.4	100	13.8
80 to 120	836	856	1.6	27.9	5.2	26.5	93.1	24.2	100	24.4
More than 120	846	866	1.2	51.4	4.3	54.7	94.5	62.3	100	61.8
All	841	861	1.4	100	4.8	100	93.7	100	100	100
DELINQUENT										
Mortgage characteristic										
Loan-to-value ratio (percent)										
Less than 81	734	740	11.9	63.8	22.9	78.0	65.2	79.8	100	77.1
81 to 90	697	707	21.3	27.6	22.7	18.7	56.0	16.6	100	18.7
More than 90	699	744	29.4	8.6	17.6	3.3	52.9	3.6	100	4.2
All[1]	720	730	14.4	100	22.6	100	62.9	100	100	100
Loan size (dollars)										
Less than 100,000	692	686	25.1	59.7	24.6	46.2	50.3	33.9	100	41.0
100,000–200,000	720	730	14.7	29.2	23.8	37.4	61.5	34.6	100	34.3
More than 200,000	766	781	7.8	11.1	14.6	16.5	77.7	31.5	100	24.7
All	720	730	17.3	100	21.8	100	60.9	100	100	100
Location characteristic										
ZIP code median income (percentage of area median income)[2]										
Less than 80	724	738	17.4	11.1	19.6	9.9	63.0	11.4	100	11.0
80 to 120	707	712	22.0	69.4	21.6	53.8	56.4	50.4	100	54.4
More than 120	739	753	9.7	19.4	22.9	36.3	67.4	38.2	100	34.5
All	720	730	17.3	100	21.8	100	60.9	100	100	100
Home value (percentage of area median home value)[3]										
Less than 80	687	677	28.9	38.9	22.7	24.2	48.5	18.5	100	23.3
80 to 120	721	730	14.9	25.0	24.8	33.0	60.3	28.7	100	29.0
More than 120	735	743	13.1	36.1	19.6	42.9	67.3	52.8	100	47.7
All	720	730	17.3	100	21.8	100	60.9	100	100	100

NOTE. Loans were originated during the October 1993–June 1994 period. For definitions of credit score, score range, and delinquency, see note to table 2.

1. Excluding loans with no reported ratio.

2. Median family income of ZIP code in which the property is located relative to median family income of the property's metropolitan statistical area (MSA) or, if location is not in an MSA, relative to median family income of all non-MSA portions of the state.

3. Value of the property relative to the median value of owner-occupied homes in the property's MSA or, if location is not in an MSA, relative to the median value of owner-occupied homes in all non-MSA portions of the state.

4. Values of The Mortgage Score. The sample Mortgage Score range is 325 to 991.

SOURCE. Equifax Credit Information Services, Inc.

income have somewhat higher foreclosure rates than average, and those with incomes above 120 percent of area median income have somewhat lower foreclosure rates than average. Credit score and, to a lesser extent, loan-to-value ratio appear to be much stronger predictors of foreclosure rates than income.

4. Newly originated conventional adjustable rate mortgage loans, grouped by payment performance and characteristic and distributed by credit score

Percent except as noted

Performance of mortgage and characteristic	Credit score								Total	
			Low		Medium		High			
	Mean	Median	Percent of characteristic	MEMO: Percent of score range	Percent of characteristic	MEMO: Percent of score range	Percent of characteristic	MEMO: Percent of score range	Percent of characteristic	MEMO: Percent of all loans
PAID AS SCHEDULED										
Mortgage characteristic										
Loan-to-value ratio (percent)										
Less than 81	817	842	3.8	86.8	8.2	85.5	88.1	86.8	100	86.7
81 to 90	801	821	3.7	12.6	8.8	13.6	87.5	12.6	100	12.7
More than 90	770	782	3.4	.6	12.8	1.0	83.9	.6	100	.6
All	815	839	3.8	100	8.3	100	88.0	100	100	100
Loan size (dollars)										
Less than 100,000	814	840	4.4	44.2	8.3	37.7	87.3	37.5	100	37.8
100,000–200,000	812	836	3.9	39.1	8.7	39.9	87.5	37.8	100	38.0
More than 200,000	819	840	2.6	16.8	7.6	22.4	89.8	24.7	100	24.2
All	815	839	3.8	100	8.3	100	88.0	100	100	100
Location characteristic										
ZIP code median income (percentage of area median income)										
Less than 80	788	811	5.5	13.4	12.6	13.9	81.9	8.5	100	9.1
80 to 120	811	836	4.2	52.9	8.6	50.1	87.2	47.5	100	47.9
More than 120	824	847	2.9	33.6	6.9	36.0	90.1	44.1	100	43.0
All	815	839	3.8	100	8.3	100	88.0	100	100	100
Home values (percentage of area median home value)										
Less than 80	802	828	5.1	38.1	9.9	33.6	84.9	26.9	100	27.9
80 to 120	812	835	3.7	24.3	8.4	25.1	87.9	24.7	100	24.7
More than 120	824	848	3.0	37.6	7.2	41.3	89.8	48.4	100	47.4
All	815	839	3.8	100	8.3	100	88.0	100	100	100
DELINQUENT										
Mortgage characteristic										
Loan-to-value ratio (percent)										
Less than 81	713	723	14.9	63.6	22.3	72.4	62.8	90.8	100	81.0
81 to 90	678	638	30.0	27.3	40.0	27.6	30.0	9.2	100	17.2
More than 90	576	576	100	9.1	0	0	0	0	100	1.7
All	710	718	19.0	100	25.0	100	56.0	100	100	100
Loan size (dollars)										
Less than 100,000	683	661	24.1	31.8	27.6	27.6	48.3	20.6	100	24.4
100,000–200,000	700	694	14.6	31.8	33.3	55.2	52.1	36.8	100	40.3
More than 200,000	739	764	19.0	36.4	11.9	17.2	69.0	42.6	100	35.3
All	710	718	18.5	100	24.4	100	57.1	100	100	100
Location characteristic										
ZIP code median income (percentage of area median income)										
Less than 80	631	653	43.8	31.8	6.3	3.4	50.0	11.8	100	13.4
80 to 120	720	729	15.4	45.4	27.7	62.1	56.9	54.4	100	54.6
More than 120	725	718	13.2	22.7	26.3	34.5	60.5	33.8	100	31.9
All	710	718	18.5	100	24.4	100	57.1	100	100	100
Home value (percentage of area median home value)										
Less than 80	706	707	17.6	27.3	23.5	27.6	58.8	29.4	100	28.6
80 to 120	688	678	12.8	22.7	38.5	51.7	48.7	27.9	100	32.8
More than 120	731	764	23.9	50.0	13.0	20.7	63.0	42.6	100	38.7
All	710	718	18.5	100	24.4	100	57.1	100	100	100

NOTE. See notes to table 3.
SOURCE. Equifax Credit Information Services, Inc.

The performance patterns by credit score and loan-to-value ratio are very similar for borrowers at all income levels. For example, among borrowers with high incomes, those with low credit scores and high loan-to-value ratios still have a foreclosure rate almost 50 times higher than those with high credit scores and low loan-to-value ratios.

These performance data reflect foreclosures during only the first eighteen to twenty-four months after origination. Typically, most foreclosures occur more than two years after origination. Analysts at Freddie Mac, however, believe that the pattern of *relative* foreclosure rates presented in table 6 will hold as these loans season.

5. Newly originated government-backed fixed rate mortgage loans, grouped by payment performance and characteristic and distributed by credit score

Percent except as noted

Performance of mortgage and characteristic	Credit score								Total	
	Mean	Median	Low		Medium		High			
			Percent of characteristic	MEMO: Percent of score range	Percent of characteristic	MEMO: Percent of score range	Percent of characteristic	MEMO: Percent of score range	Percent of characteristic	MEMO: Percent of all loans
PAID AS SCHEDULED										
Mortgage characteristic										
Loan size (dollars)										
Less than 100,000	752	767	12.6	71.4	17.1	68.9	70.2	64.9	100	66.4
More than 100,000	762	780	9.9	28.6	15.2	31.1	74.8	35.1	100	33.6
All	756	772	11.7	100	16.5	100	71.8	100	100	100
Location characteristic										
ZIP code median income (percentage of area median income)										
Less than 80	728	733	14.9	12.9	22.6	13.9	62.5	8.8	100	10.2
80 to 120	754	770	11.9	65.6	16.5	64.6	71.6	64.5	100	64.6
More than 120	770	792	10.0	21.5	14.1	21.5	76.0	26.7	100	25.2
All	756	772	11.7	100	16.5	100	71.8	100	100	100
Home values (percentage of area median home value)										
Less than 80	751	766	12.2	37.6	18.0	39.2	69.8	35.0	100	36.0
80 to 120	756	772	12.0	39.7	15.7	36.8	72.3	39.0	100	38.7
More than 120	763	780	10.5	22.8	15.6	24.0	73.8	26.1	100	25.4
All	756	772	11.7	100	16.5	100	71.8	100	100	100
DELINQUENT										
Mortgage characteristic										
Loan size (dollars)										
Less than 100,000	604	592	54.5	68.9	25.0	65.3	20.5	59.1	100	65.8
More than 100,000	622	610	47.2	31.1	25.5	34.7	27.3	40.9	100	34.2
All	610	598	52.0	100	25.2	100	22.8	100	100	100
Location characteristic										
ZIP code median income (percentage of area median income)										
Less than 80	596	593	54.5	16.6	29.5	18.5	16.0	11.1	100	15.8
80 to 120	606	592	54.5	68.4	22.9	59.3	22.6	64.4	100	65.2
More than 120	635	626	41.2	15.0	29.4	22.2	29.4	24.4	100	19.0
All	610	598	52.0	100	25.2	100	22.8	100	100	100
Home value (percentage of area median home value)										
Less than 80	604	591	54.0	45.3	25.6	44.4	20.5	39.1	100	43.7
80 to 120	614	606	48.9	34.2	27.1	39.1	24.0	38.2	100	36.3
More than 120	616	597	53.3	20.5	20.8	16.5	25.9	22.7	100	20.0
All	610	598	52.0	100	25.2	100	22.8	100	100	100

NOTE. See notes to table 3.
SOURCE. Equifax Credit Information Services, Inc.

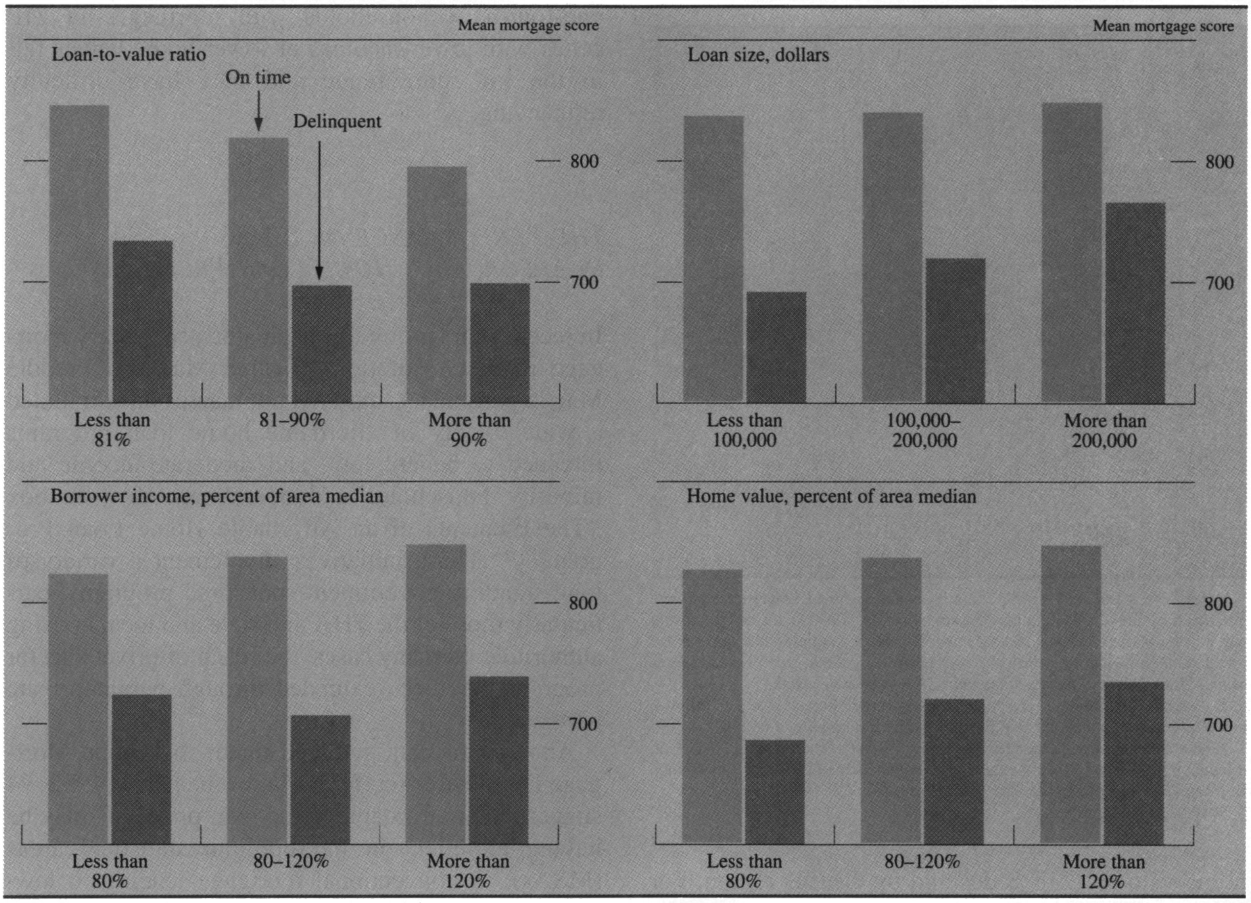
THE DISTRIBUTION OF SCORES ACROSS THE POPULATION

Little information is publicly available about how credit histories vary across population groups. As a summary measure of the credit histories of individuals, credit history scores provide a convenient way to compare different segments of the population with respect to their credit history profiles. Such comparisons offer a rough and partial guide to the willingness of lenders to extend credit to different categories of households, since credit history is only one element lenders consider in the evaluation of a mortgage application. Even applicants with low scores may qualify for a mortgage if they have compensating factors such as a low loan-to-value ratio.

Proprietary information on the credit history scores, mortgage status, and ZIP code location of individuals and households was obtained from Equifax. The information is based on a nationally representative sample and includes the Equifax TMS scores for 3.4 million individuals and the 2.5 million households they comprise.[27] Households were classi-

27. The sample was drawn by sorting the country's roughly 29,000 residential ZIP codes into strata defined by Census region, center-city/suburban/rural location, and median household income. A stratified nationally representative sample of 994 ZIP codes was drawn from these strata. TMS scores (computed in the same way as those dis-

1. Mean mortgage scores of selected, newly originated, conventional fixed rate loans, by payment status and characteristics of loan and locality



NOTE. For definitions and source, see notes to tables 2 and 3.

fied according to whether or not they appeared to have an outstanding mortgage loan. Other than the TMS score and mortgage status, no information was provided about the characteristics of the individuals. However, because the ZIP code of the individual's residence is known, it is possible to classify individuals by the characteristics of these locations.

We have calculated the distributions of three different population groups—individuals, households, and households identified as having mortgages—across the same TMS score ranges used in the previous section for various classifications of ZIP code. For all three population groups, the distributions of TMS scores are similar across different categories of ZIP code, although some absolute differences exist (table 7). For example, households with mortgages tend to have fewer low scores and tend to live in areas with higher relative median family incomes and median home values. For all categories, more than half, and in most cases more than two-thirds, of sample households or individuals have TMS scores in the high range. For these households, TMS scores fall within the acceptable range for mortgage qualification.

About 20 percent of individuals, 23 percent of households, and 15 percent of households with mortgages have low TMS scores and thus may have problems qualifying for a mortgage on the basis of their credit histories (table 7). These proportions do not vary much across urban/suburban/rural classifications but do vary substantially by median income and

cussed in the previous section) were obtained for all individuals with credit files in Equifax's off-line credit marketing database showing addresses in the sample ZIP codes.

Credit reports showing the same address were considered to be from the same household, and the low-score report (if two reports were involved) or the middle-score report (if three or more reports were involved) was chosen to represent the household. These figures understate the number of households with more than one adult. A possible explanation is that many couples obtain credit in only one person's name.

6. Relative foreclosure rates for selected categories of mortgage loans, by credit score range

Index

Loan-to-value ratio and borrower income	Low	Medium	High
All loans			
Borrower income			
(percentage of area median income)			
Less than 80	36.8	13.9	2.2
80 to 120	35.3	10.2	1.7
120 or more	31.1	8.9	1.1
All	33.9	10.3	1.5
Loan-to-value ratio less than 81 percent			
Borrower income			
(percentage of area median income)			
Less than 80	32.0	11.0	1.8
80 to 120	29.0	7.4	1.1
120 or more	22.0	6.7	.7
All	26.9	7.9	1.0
Loan-to-value ratio 81 percent or more			
Borrower income			
(percentage of area median income)			
Less than 80	51.4	23.0	4.4
80 to 120	47.4	15.8	3.6
120 or more	46.7	12.9	2.8
All	47.6	15.3	3.3

NOTE. The loans are for single-family owner-occupied properties and were purchased by Freddie Mac in the first six months of 1994. Index of foreclosure rate covers loans foreclosed by December 31, 1995; the index sets the average foreclosure rate equal to 1 for loans with borrower generic credit bureau scores of more than 660 and loan-to-value ratios of less than 81 percent.

The credit score ranges correspond to generic credit bureau scores as follows: low = less than 621, medium = 621–660, and high = more than 660.

Area median income is the median family income of the property's MSA or, if location is not in an MSA, the median family income of the property's county. Borrower income is as of the time of loan origination.

SOURCE. Freddie Mac.

home value of ZIP codes and by Census region. For example, about 33 percent of the households living in ZIP codes with median family incomes in the lowest range have low scores, compared with only 17 percent of households living in ZIP codes with median family incomes in the highest income range.

The extent of the variation in TMS scores by Census region is somewhat surprising. Although some of the variation by region is explained by differences in economic factors such as income and unemployment rates (additional analysis not shown), much of the variation is unexplained.

Information on the distribution, across score ranges, of households identified as having mortgages is potentially useful for forecasting the ability of mortgage holders to refinance their outstanding mortgage loans. As noted, 15 percent of all the households with mortgages have low TMS scores and thus may have difficulty refinancing.[28] Again, the proportion with low scores varies substantially by area income and home value and region. Almost one-fourth of households with mortgages in ZIP codes with lower incomes or lower home values fall in the low-score range and may have difficulty refinancing.

The Performance of Loans in Affordable Home Loan Programs

In recent years mortgage originators, secondary mortgage market institutions (Fannie Mae and Freddie Mac in particular), and PMI companies have initiated a wide variety of affordable home loan programs intended to benefit low- and moderate-income and minority households and neighborhoods (see box "The Elements of an Affordable Home Loan Program").[29] These initiatives supplement a variety of long-standing government-sponsored programs, particularly those of the FHA and state and local housing authorities. In many cases, the reach of private-sector programs has been extended through public–private partnerships.

Analysis of data gathered under the Home Mortgage Disclosure Act (HMDA) for the period 1992–94 suggests that affordable home loan programs may be having an effect in metropolitan statistical areas (MSAs), as conventional mortgage lending to low- and moderate-income borrowers has increased at a substantially faster rate than lending to other groups (table 8). From 1992 to 1993 and from 1993 to 1994, the number of conventional home purchase loans extended to low- and moderate-income borrowers (incomes below 80 percent of the MSA median) increased 38 percent and 27 percent respectively. Over these same two years, lending to upper-income borrowers (incomes above 120 percent of the MSA median) rose more slowly, increasing only 8 percent and then 13 percent.

A combination of factors may have given rise to this pattern of lending. In some cases, lenders may be responding to newly perceived profit opportunities in underserved market niches. Some depository institutions may also be seeking to build an outstanding record of community reinvestment in order to enhance their compliance with the Community

28. This finding should be viewed with some caution. The percentage of sample households identified as having mortgages is lower than the proportion estimated from other data sources. If the sample households identified as having mortgages have a different credit score distribution than mortgage holders overall, then the sample statistics may be biased.

29. See "Affordable Mortgage Program Study," Consumer Bankers Association, annual reports 1993–95. For a review of the affordable lending initiatives sponsored by Fannie Mae and Freddie Mac, see the brochures "Opening Doors with Fannie Mae's Community Lending Products," Fannie Mae, 1995, and "Expanding the Dream," Freddie Mac, 1995.

The Elements of an Affordable Home Loan Program

The details vary widely, but affordable home loan programs generally involve four distinct elements: targeted groups, special marketing, the application of flexible underwriting standards, and the use of risk mitigation activities. Targeted groups are usually defined with eligibility criteria tied to borrower or neighborhood income, loan-to-value ratios, location, homebuyer status (for example, first-time homebuyers), and other factors.

Most important among these criteria are the income eligibility restrictions, which normally require a prospective borrower to have a low or moderate income or to purchase a home in a low- or moderate-income neighborhood. Special marketing activities commonly include homebuyer education seminars and outreach to religious and community organizations active in targeted neighborhoods. Flexible underwriting policies usually have the following characteristics: low-down-payment requirements; higher acceptable ratios of debt payment to income; the use of alternative credit history information such as records of payments for rent and utilities; flexible employment standards; and reduced cash reserve requirements. In addition, many lenders offer reduced interest rates, waive private mortgage insurance requirements, or reduce or waive points or fees associated with originating the loan.

To reduce the potential for higher losses on these flexibly underwritten loans, lenders customarily require the borrower to complete a homebuyer education program and to undergo credit counseling when needed. Lenders also use enhanced servicing techniques on these loans, contacting borrowers by phone, for example, as soon as they are thirty-days delinquent to determine the cause of the delinquency and to establish a plan to rectify the situation.

Reinvestment Act (CRA).[30] More generally, financial institutions may have determined that increased lending to a targeted area would serve their long-run interest in community stability. Finally, relatively larger numbers of low- and moderate-income households may have been seeking to purchase homes during this period because the affordability of housing improved to levels not seen since the 1960s.

Since affordable home lending initiatives typically involve the application of flexible underwriting standards, questions have been raised about whether the payment performance, and ultimately the profitability, of these loans is substantially different from that of traditionally underwritten loans. Analyses of these issues have tended to focus on measures of payment performance such as delinquency rates or, more rarely, the incidence of default. Little information is available about the cost of other aspects of affordable lending programs, such as enhanced servicing, homebuyer education, and various forms of direct subsidies (for example, waivers of some or all closing costs), that also affect the profitability of these programs. Similarly, little is known about possible increases in revenue that may result from a high-volume affordable lending program. For example, providing mortgages to lower-income households may lead to other credit- or deposit-related relationships that may be profitable for the lender.

Evidence from Roundtable Discussions

Until recently, most of the available information on the performance of affordable home lending programs had been anecdotal. For example, in roundtable discussions held with lenders in preparing the Federal Reserve's 1993 "Report to the Congress on Community Development Lending by Depository Institutions," the participants generally held the view that the costs of originating and servicing loans made under affordable home loan programs were greater than those incurred on other housing loans but that delinquency and default experience to that time had not been worse. Statistical analysis undertaken for that report did not find any notable relationship between bank profitability and the level of lower income mortgage lending activity.[31]

The roundtable participants suggested that the increased risks associated with allowing more flexible underwriting can be mitigated in various ways. Some lenders, by drawing on their specialized knowledge of local market conditions, familiarity with borrowers, and greater experience with affordable home lending, may be able to reduce the risks of applying flexible underwriting guidelines. By integrating care-

30. The Community Reinvestment Act of 1977 is intended to encourage commercial banks and savings associations to help meet the credit needs of the local communities in which they are chartered, including low- and moderate-income neighborhoods, in a manner consistent with safe and sound operations. For a review of different perspectives on the CRA, see Glenn B. Canner and Wayne Passmore, "Home Purchase Lending in Low-Income Neighborhoods and to Low-Income Borrowers," *Federal Reserve Bulletin,* vol. 81 (February 1995), pp. 71–103.

31. Statistical analysis of bank profitability and affordable home lending was based on data from the 1992 HMDA reports and from Call Reports of commercial banks and thrift institutions. See Board of Governors of the Federal Reserve System, "Report to the Congress on Community Development Lending by Depository Institutions" (Board of Governors, 1993).

7. Individuals and households, grouped by ZIP code characteristic and distributed by credit score range

Percent

Characteristic of ZIP code	Low		Medium		High		Total	
	Percent of charac-teristic	MEMO: Percent of score range	Percent of charac-teristic	MEMO: Percent of score range	Percent of charac-teristic	MEMO: Percent of score range	Percent of charac-teristic	MEMO: Percent of score range
	Individuals							
Median income of ZIP code (percentage of area median income)[1]								
Less than 80	29.5	21.0	14.2	17.4	56.3	11.9	100	14.4
80 to 120	19.8	65.2	11.8	66.6	68.4	67.2	100	66.7
More than 120	14.9	13.8	10.0	16.0	75.1	20.8	100	18.8
All	20.3	100	11.8	100	67.9	100	100	100
Median home value of ZIP code (percentage of area median home value)[2]								
Less than 80	27.4	34.3	13.9	29.7	58.7	21.9	100	25.3
80 to 120	19.6	51.7	11.5	52.2	68.9	54.1	100	53.4
More than 120	13.4	14.1	10.0	18.0	76.6	24.0	100	21.3
All	20.3	100	11.8	100	67.9	100	100	100
Urbanization of ZIP code								
Urban	22.0	37.5	12.0	35.0	66.0	33.5	100	34.5
Suburban	18.9	44.0	11.4	45.4	69.7	48.4	100	47.2
Rural	20.4	18.5	12.6	19.6	67.0	18.1	100	18.4
All	20.3	100	11.8	100	67.9	100	100	100
Census region of ZIP code[3]								
Northeast								
New England	17.8	5.4	11.2	5.8	71.0	6.5	100	6.2
Middle Atlantic	17.9	14.6	11.0	15.4	71.1	17.3	100	16.5
Midwest								
East North Central	15.5	9.4	10.8	11.2	73.6	13.2	100	12.2
West North Central	16.5	5.3	10.4	5.8	73.1	7.0	100	6.5
South								
South Atlantic	21.7	23.7	11.5	21.5	66.8	21.7	100	22.1
East South Central	25.5	5.1	13.8	4.8	60.7	3.6	100	4.1
West South Central	27.8	13.9	13.6	11.7	58.6	8.8	100	10.1
West								
Mountain	20.4	6.3	12.5	6.7	67.1	6.2	100	6.3
Pacific	20.6	16.2	12.7	17.1	66.7	15.7	100	15.9
All	20.3	100	11.8	100	67.9	100	100	100
	All households							
Median income of ZIP code (percentage of area median income)[1]								
Less than 80	32.8	21.4	14.9	17.6	52.3	12.2	100	15.0
80 to 120	22.4	65.0	12.7	66.6	64.9	67.2	100	66.6
More than 120	17.0	13.6	11.0	15.9	72.1	20.6	100	18.4
All	22.9	100	12.7	100	64.4	100	100	100
Median home value of ZIP code (percentage of area median home value)[2]								
Less than 80	30.7	34.3	14.7	29.6	54.6	21.8	100	25.6
80 to 120	22.3	51.3	12.5	51.6	65.2	53.3	100	52.7
More than 120	15.2	14.4	11.0	18.7	73.8	24.9	100	21.7
All	22.9	100	12.7	100	64.4	100	100	100
Urbanization of ZIP code								
Urban	24.7	38.4	12.8	35.9	62.5	34.6	100	35.7
Suburban	21.5	43.0	12.3	44.5	66.2	47.2	100	45.9
Rural	23.1	18.6	13.5	19.6	63.4	18.1	100	18.4
All	22.9	100	12.7	100	64.4	100	100	100
Census region of ZIP code[3]								
Northeast								
New England	20.3	5.3	12.3	5.8	67.3	6.3	100	6.0
Middle Atlantic	20.2	14.4	11.9	15.4	67.9	17.3	100	16.4
Midwest								
East North Central	17.9	9.3	11.8	11.1	70.2	13.0	100	11.9
West North Central	18.9	5.3	11.4	5.8	69.8	7.0	100	6.5
South								
South Atlantic	24.5	23.9	12.4	21.8	63.1	22.0	100	22.4
East South Central	28.6	5.1	14.7	4.8	56.7	3.6	100	4.1
West South Central	31.1	13.8	14.2	11.4	54.7	8.6	100	10.2
West								
Mountain	23.1	6.4	13.5	6.7	63.4	6.3	100	6.4
Pacific	23.2	16.3	13.6	17.3	63.2	15.9	100	16.1
All	22.9	100	12.7	100	64.4	100	100	100

7. Continued

Percent

Characteristic of ZIP code	Low		Medium		High		Total	
	Percent of characteristic	MEMO: Percent of score range	Percent of characteristic	MEMO: Percent of score range	Percent of characteristic	MEMO: Percent of score range	Percent of characteristic	MEMO: Percent of score range
	Households with mortgages							
Median income of ZIP code (percentage of area median income)[1]								
Less than 80	22.6	14.5	14.5	12.8	62.9	8.2	100	9.6
80 to 120	15.1	64.2	11.0	64.3	73.9	63.3	100	63.6
More than 120	11.9	21.3	9.3	22.9	78.8	28.5	100	26.8
All	15.0	100	10.9	100	74.1	100	100	100
Median home value of ZIP code (percentage of area median home value)[2]								
Less than 80	22.2	29.6	14.2	25.9	63.6	17.1	100	19.9
80 to 120	14.9	55.5	10.8	55.2	74.3	55.9	100	55.8
More than 120	9.2	14.9	8.5	18.9	82.4	27.0	100	24.3
All	15.0	100	10.9	100	74.1	100	100	100
Urbanization of ZIP code								
Urban	15.0	32.2	11.1	32.7	73.9	32.0	100	32.1
Suburban	15.1	57.4	10.7	56.0	74.2	57.1	100	57.0
Rural	14.4	10.4	11.3	11.3	74.3	10.9	100	10.9
All	15.0	100	10.9	100	74.1	100	100	100
Census region of ZIP code[3]								
Northeast								
New England	13.6	6.2	10.7	6.7	75.7	7.0	100	6.9
Middle Atlantic	14.1	13.7	10.1	13.5	75.8	14.9	100	14.6
Midwest								
East North Central	11.4	8.7	10.1	10.5	78.5	12.0	100	11.3
West North Central	12.1	4.1	9.2	4.3	78.6	5.4	100	5.1
South								
South Atlantic	15.6	26.5	10.4	24.3	73.9	25.3	100	25.4
East South Central	17.9	2.8	12.0	2.6	70.2	2.2	100	2.4
West South Central	19.8	11.3	11.9	9.3	68.3	7.8	100	8.5
West								
Mountain	15.3	7.5	11.7	7.9	73.0	7.3	100	7.4
Pacific	15.5	19.2	12.2	20.8	72.3	18.1	100	18.5
All	15.0	100	10.9	100	74.1	100	100	100

NOTE. The credit score is The Mortgage Score (TMS), of Equifax Mortgage Services. For definition of TMS and the credit score ranges, see note to table 2; see also text note 27.

1. Median family income in ZIP code in which the property is located relative to median family income in the property's MSA or, if location is not in an MSA, relative to median family income in the non-MSA portion of the state.

2. Median value of owner-occupied homes in ZIP code in which the property is located relative to median value of owner-occupied homes in the property's MSA or, if location is not in an MSA, relative to median value of owner-occupied homes in non-MSA portion of state.

3. See map of Census Bureau regions and divisions, inside front cover, U.S. Department of Commerce, *Statistical Abstract of the United States: 1994*, Bureau of the Census (Government Printing Office, 1994).

SOURCE. Equifax Credit Information Services, Inc.

fully designed homebuyer education efforts and credit counseling services into their affordable lending programs, lenders may be able to screen out relatively high-risk applicants and better prepare first-time homebuyers for the responsibilities of homeownership. In addition, by adopting an enhanced servicing program for affordable home loan products that includes postpurchase contact and counseling and, if necessary, early delinquency intervention, lenders may be able to help avoid some potential defaults.

Experiences of Secondary-Market Institutions and Private Mortgage Insurers

Additional evidence has begun to accumulate about the performance of loans extended under affordable home loan programs and purchased by secondary-market institutions or insured by private mortgage insurance companies. For the most part, the evidence pertains to delinquency rates, because the loans examined are too recent in origin to permit a comprehensive evaluation of default and loss experience. In what follows, it should be emphasized that the vast majority of borrowers relying on affordable home loan products are current on their mortgage payments. However, even relatively small delinquency and default rates may make a program unprofitable. Analyzing delinquencies and defaults can highlight specific variables in the program that might be modified to screen out particularly bad risks and enhance program profitability.

Freddie Mac has been following the performance of the affordable home loans it purchases under its

8. Increase in number of conventional home purchase loans for lenders reporting under HMDA, by selected characteristics of borrowers, 1992–94

Percent

Borrower characteristic	1992–93	1993–94	MEMO: Number of loans in 1994
All	16.5	17.9	2,795,162
Race or ethnic group			
American Indian/Alaskan Native	7.3	23.8	10,691
Asian/Pacific Islander	6.5	18.6	93,319
Black	35.8	54.7	125,796
Hispanic	25.4	42.0	129,695
White	17.5	15.7	2,281,450
Other	64.1	61.3	18,984
Joint (white/minority)	17.8	37.0	60,763
Income (percentage of MSA median)[1]			
Less than 80	38.4	27.0	516,824
80–99	21.4	19.1	295,734
100–120	16.2	15.7	285,044
More than 120	8.2	12.5	1,069,305
Income less than 80 percent of MSA median			
American Indian/Alaskan Native	22.1	32.0	2,125
Asian/Pacific Islander	28.6	29.3	16,865
Black	67.7	62.8	39,666
Hispanic	49.5	67.9	38,213
White	36.4	19.8	391,535
Total[2]	38.4	27.0	516,824

NOTE. As of 1993, a large number of additional independent mortgage companies became covered by the Home Mortgage Disclosure Act (HMDA). To provide the most appropriate year-over-year comparisons, the lending activity of these newly covered firms was excluded from 1993 volume estimates.

1. MSA median is the median family income of the metropolitan statistical area in which the property related to the loan is located (table includes only properties in MSAs).

2. Includes loans for which race is unknown or categorized as "other" or "joint."

SOURCE. Federal Financial Institutions Examination Council.

"Affordable Gold" program, which was established to promote lending to low- and moderate-income households.[32] Freddie Mac reports that the sixty-day delinquency rate on these loans has been higher than on a "peer group" of traditionally underwritten mortgages, controlling for the loan-to-value ratio, the date of loan origination, region of the country, and type of property.[33] Among those Affordable Gold loans originated in 1994 for which borrowers were allowed to meet part of the minimum down-payment requirements with funds provided by a third party, the delinquency rate through February 1996 has been about 4 times higher than that for the peer group of traditionally underwritten loans. Other Affordable Gold loans originated in 1994 show a delinquency rate about 50 percent higher than that for the peer group.

To help enhance the effectiveness of its Affordable Gold home loan program, Freddie Mac offers lenders a tool, titled the "Gold Measure Worksheet," that can assist loan underwriters in their efforts to accurately assess the risk associated with combining various flexibilities in underwriting affordable home loans (see box "Freddie Mac's Gold Measure Worksheet").

Freddie Mac's Gold Measure Worksheet

Freddie Mac says that its Gold Measure Worksheet is a tool "designed to assist management and underwriters in their efforts to accurately assess the risk associated with combining various underwriting flexibilities," and thereby it helps the lender determine whether a loan will be acceptable for sale to Freddie Mac under its Affordable Gold program.

The worksheet (facing page) identifies borrower and loan characteristics related to credit risk and assigns a specific number of points (referred to as risk units, or RUs) to each characteristic. The sum of the risk units provides a summary measure of the risk associated with a given loan. The applicant's credit history is one element considered and is evaluated by using a credit history score obtained from a credit bureau or by measuring the individual components of the credit history file.

According to Freddie Mac, the Gold Measure Worksheet is intended to complement, rather than replace, the judgment of underwriters. As indicated in the worksheet instructions, it should be used in conjunction with Freddie Mac's booklet *Discover Gold Through Expanding Markets* "to identify compensating factors and risk offsets." This booklet provides case studies illustrating the flexibility lenders have in applying Freddie Mac's underwriting guidelines.

Freddie Mac specifies the following guidelines for evaluating the summary score derived from the Gold Measure Worksheet:

- A score of 15 or less (or up to 18 with comprehensive borrower prepurchase and postpurchase homeownership education) is acceptable to Freddie Mac, provided no other risk is apparent from the review of borrower eligibility, property appraisal, potential fraud, or data integrity issues.
- A score between 16 and 25 is acceptable only with documented offsets not captured on the Gold Measure Worksheet.
- A score greater than 25 requires that the transaction be further evaluated. Generally, Freddie Mac has found that loans with RUs greater than 25 are not acceptable for purchase without sufficient compensating factors.

32. Most of the loans extended to low- and moderate-income households that are purchased by Freddie Mac (and Fannie Mae) qualify under standard underwriting guidelines. Loans in the Affordable Gold program are generally underwritten using nonstandard criteria. Fannie Mae has a similar program, the "Community Home Buyers Program."

The performance of loans made to low- and moderate-income households using standard underwriting guidelines may be different from that of Affordable Gold loans. As shown in table 6 for loans underwritten with standard guidelines, borrower income is not strongly related to foreclosure rates.

33. See comments by Leland Brendsel in Snigdha Prakash, "Freddie Sounds a Delinquency Alarm on Popular Lower-Income Mortgage," *American Banker,* July 21, 1995, pp. 1 and 8.

Freddie Mac

GOLD MEASURE WORKSHEET—Version 2.0

Borrower/Co-borrower Name(s) ____________
City, State ____________
Lender Loan Number ____________
Origination Date ____________
Completion Date ____________

Seller Name ____________
Freddie Mac Seller Number ____________
Freddie Mac Loan Number (if available) ____________
Branch Office/Channel ____________
Underwriting Center ____________
TPO Name ____________
Underwriter ____________

Loan Decision Approved __ Denied __ Withdrawn __ File Closed __

Directions:
- Circle the appropriate "Risk Units" (RUs) for each category. Total the RUs in each section and enter on the Subtotal line. Then combine Subtotals for each section and enter the Grand Total on the Total RUs line. Note that negative numbers such as "–2" are risk offsets.
- It is important to read the accompanying *Gold Measure Worksheet and Instructions—Version 2.0* booklet and to refer to it for additional information on completing this worksheet.
- This worksheet is an aid, not a substitute for the underwriting decision.
- Complete **either** Credit File A **or** Credit File B, but not both. Use Credit File A if 3 credit scores are requested. Use Credit File B if fewer than 3 credit scores are requested. See the *Gold Measure Worksheet and Instructions—Version 2.0* booklet for easy instructions on how to order bureau and bankruptcy scores for use with Credit File A.

I. Credit File A

Directions: When using Credit File A, complete **either** the Bureau Score **or** the Bankruptcy Score, but not both.

Bureau Score Equifax Beacon Score, Trans Union Empirica Score and TRW-FICO Score (See instructions)	RUs	**Bankruptcy Score** Equifax DAS Score, Trans Union Delphi Score and TRW-MDS Score (See instructions)	RUs
Over 790	–16	150 or less	–12
771 - 790	–14	151 - 200	–10
761 - 770	–11	201 - 240	–4
731 - 760	–7	241 - 300	–3
721 - 730	–5	301 - 320	–1
701 - 720	0	321 - 360	0
681 - 700	6	361 - 420	4
661 - 680	8	421 - 480	8
641 - 660	12	481 - 540	11
621 - 640	17	541 - 620	15
601 - 620	20	621 - 700	18
581 - 600	23	701 - 740	21
541 - 580	25	741 - 840	23
540 or less	32	841 - 960	25
		Over 960	29
No reported Score available	20	No reported Score available	20

I. Credit File A. **Subtotal** of circled **RUs:** ______

I. Credit File B

Directions: Use Credit File B if fewer than 3 credit scores are requested.

No delinquencies or other derogatory tradeline or derogatory public record information and number of tradelines (open or closed) is:	RUs
11 or more	–4
6 - 10	–3
1 - 5	0

One or more revolving tradelines and **total** revolving balances are under $500:	RUs
	–4

Fewer than 3 tradelines (open or closed):	RUs
	2

Percent of all tradelines (open or closed) ever delinquent or worse (30-90 days or more, collection, charge-off, etc.):	RUs
0 - 10%	–3
11 - 15%	0
16 - 40%	4
41 - 60%	8
Over 60%	11

Worst ever derogatory credit file entry is either:	RUs
■ 30–180 days delinquent:	6
or	
■ Public record (bankruptcy, foreclosure, judgment, lien, garnishment, suit, certain collections) or tradeline reported as over 180 days delinquent, charge-off, repossession or collection:	10

Number of derogatory Public records:	RUs
0 - 1	0
2 - 3	4
Over 3	9

Number of inquiries in the past 3 months:	RUs
0	–2
1	0
2 - 3	5
4	8
5	11
More than 5	14

Age of **oldest tradeline** (in months):	RUs
0 (no tradelines) - 6	18
7 - 12	13
13 - 24	7
25 - 48	3
49 - 72	2
73 - 120	0
121 - 168	–1
169 or more	–2

If age of oldest tradeline is 13–48 months and **any one or more** of the following: ■ More than 3 inquiries within the past 3 months ■ More than 3 tradelines opened in the past year ■ Total open balances exceed $10,000	RUs
	6

I. Credit File B. **Subtotal** of circled **RUs:** ______

II. Income

	RUs
Self-employed and above area median income:	5
Majority of income from commissions:	5
Employed second earner on application:	–2
Borrower's time on job is 5 years or more:	–2
Co-borrower's time on job is 2 years or more:	–1

II. Income. **Subtotal** of circled **RUs:** ______

III. Loan, Collateral, Assets

LTV/TLTV (including secondary financing*) is:	RUs
60.5% or lower	–27
60.6 - 70.5%	–16
70.6 - 80.0%	–5
80.1 - 85.5%	–1
85.6 - 90.5%	0
90.6 - 93.5%	2
93.6 - 94.5%	5
94.6 - 95.5%	8
95.6 - 96.5%	10
96.6 - 98.5%	11
98.6 - 99.5%	13
99.6 - 99.9%	15

Property seller contributions exceed 3% of value:	RUs
	5

Reserves are:	RUs
Less than 1 month	8
At least 1, but less than 2 months	5
At least 2, but less than 4 months	0
At least 4, but less than 5 months	–3
5 or more months	–6

Less than 5% down from borrower funds with 95% LTV (e.g. Affordable Gold with 3/2 Option):	RUs
	8

III. Loan, Collateral, Assets. **Subtotal** of circled **RUs:** ______

*When secondary financing is included, if the secondary financing provides for any amortization (payments) before maturity of the Freddie Mac loan, then add 1% to LTV for every rounded percentage point of secondary financing. Likewise, add 0.5% to LTV for every rounded percentage point of secondary financing, if there is no amortization (no payments due) before maturity of the Freddie Mac loan. Unsecured grants or gifts require no adjustments to LTV.

IV. Debt-Payment Burden

Debt-to-income ratio is:	RUs
Less than 32.6%	0
32.6 - 38.5%	2
38.6 - 40.5%	4
40.6 - 42.5%	7
42.6 - 44.5%	10
44.6 - 46.5%	13
46.6 - 48.5%	15
48.6 - 50.5%	18
Over 50.5%	30

Spread between total debt and housing ratios (i.e. nonhousing debt ratio) is:	RUs
10 to 15%	2
More than 15%	5

Proposed housing expense is less than 120% of previous housing expense:	RUs
	–1

IV. Debt-Payment Burden. **Subtotal** of circled **RUs:** ______

V. Loan/Property Type

Loan type is:		RUs
Fixed-Rate:	15-Year	–6
	20-Year	–4
	25-Year	–1
ARM:	Rate-Capped	6
	Payment-Capped	8

Property type is:	RUs
2 Unit	5
3–4 Unit	11
Condominium	5

V. Loan/Property Type. **Subtotal** of circled **RUs:** ______

Total of sections I A or B, II, III, IV and V. **TOTAL RUs:** ______

Freddie Mac Risk Unit Guideline:	15 RUs
If pre-purchase counseling:	16 RUs
If post-purchase counseling:	17 RUs
If pre- and post-purchase counseling:	18 RUs

Refer to *Gold Measure Worksheet and Instructions—Version 2.0* booklet for more information. This worksheet is an aid, not a substitute for the underwriting decision. Call your Account Representative for additional information.

Freddie Mac finds that the "Gold Measure score" (the application score computed using the Gold Measure Worksheet) is a strong predictor of loan performance and that the Gold Measure Worksheet provides a useful guide to making sound affordable housing loans. For example, among the Affordable Gold loans originated in 1994, the delinquency rate for those with scores (at origination) in the "high risk" range was 5.6 times higher than the overall delinquency rate for the peer group.[34] Those with scores in the "medium risk" range had a delinquency rate 1.4 times higher than the peer group, while those with scores in the "low risk" range had a delinquency rate only 0.6 times as high as the peer group.

Private mortgage insurance companies play an important role in affordable home lending programs because lenders and secondary-market institutions often require borrowers under the programs to obtain such insurance. Like the secondary-market institutions, the PMI companies have been closely monitoring the performance of the loans they insure that were extended under affordable home lending programs. Mortgage Guarantee Insurance Corporation (MGIC) was the first PMI company to provide a detailed analysis of the performance of such loans. MGIC's analysis found that the delinquency rate on such loans has been higher than on the other loans it insures, controlling for loan-to-value ratios.[35]

To better understand the factors that may be contributing to the elevated delinquency rates, MGIC focused on the effect of underwriting flexibility provided in four areas: (1) funds for down payment provided by a third party, (2) credit history, (3) allowable ratios of debt payment to income, and (4) available cash reserves after closing. MGIC found that, among the affordable home program loans insured in 1992 and 1993, providing flexibility in these four areas was associated with the following results:

(1) Borrowers who covered a 3 percent down payment themselves and had a third party provide an additional 2 percent (so-called 3/2 option loans) had a delinquency rate twice as high as borrowers who provided the entire 5 percent down payment.

(2) Borrowers with "adverse" credit histories had delinquency rates four times higher than borrowers with excellent credit histories, and borrowers with no credit history had delinquency rates eight times higher.

(3) Borrowers with ratios of debt payment to income exceeding the traditional guideline levels had a delinquency rate 60 percent higher than those with ratios at or below the traditional guideline levels.

(4) Borrowers with less than two months of cash reserves at closing had a delinquency rate 40 percent higher than those with at least two months of cash reserves.

To learn more about the relationship between underwriting flexibility and payment performance, MGIC also reviewed its claim rate experience on *all* loans (including those not originated under affordable home lending programs) it had insured on properties in the Midwest region from 1985 through 1990. MGIC found that claim rates are substantially higher when several criteria that qualify borrowers are jointly eased in order to qualify an applicant for credit, a practice referred to as layering of underwriting flexibilities.[36]

GE Capital Mortgage Insurance Corporation (GEMICO) reports a delinquency experience with loans made under affordable home loan programs that it has insured that is similar to MGIC's experience. Like MGIC, GEMICO investigated the results of allowing borrowers to qualify for credit with layered flexibilities. The baseline for comparison was the delinquency rate for all GEMICO-insured loans written under affordable home lending programs that have a loan-to-value ratio of at least 95 percent and that were originated over the 1992–94 period (labeled 100 percent in chart 2). Loan performance was measured at the end of 1995. As illustrated, when underwriting flexibilities were layered to qualify an applicant for credit, payment performance deteriorated markedly. For example, for those loans in which borrowers' cash reserves covered less than one month of mortgage payments (the customary minimum is two months), the delinquency rate was 32 percent higher than the baseline rate. Among these low-cash-reserve loans, delinquency rates soared to nearly 2.5 times the baseline rate when the *seller* contributed some of the funds needed to meet down-payment or closing cost requirements.

The GEMICO analysis found that delinquency rates on loans extended to borrowers with "good" credit histories have been lower than the baseline. Conversely, delinquency rates have been particularly high among loans in which the borrowers had marginal credit histories, high ratios of debt payment to income, and no cash reserves.

34. For the analysis presented here, "high risk" loans are those that have Gold Measure application scores above 25, "medium risk" loans are those with scores between 16 and 25, and "low risk" are those with scores below 16 (see box "Freddie Mac's Gold Measure Worksheet").

35. Steinbach, "Ready to Make the Grade."

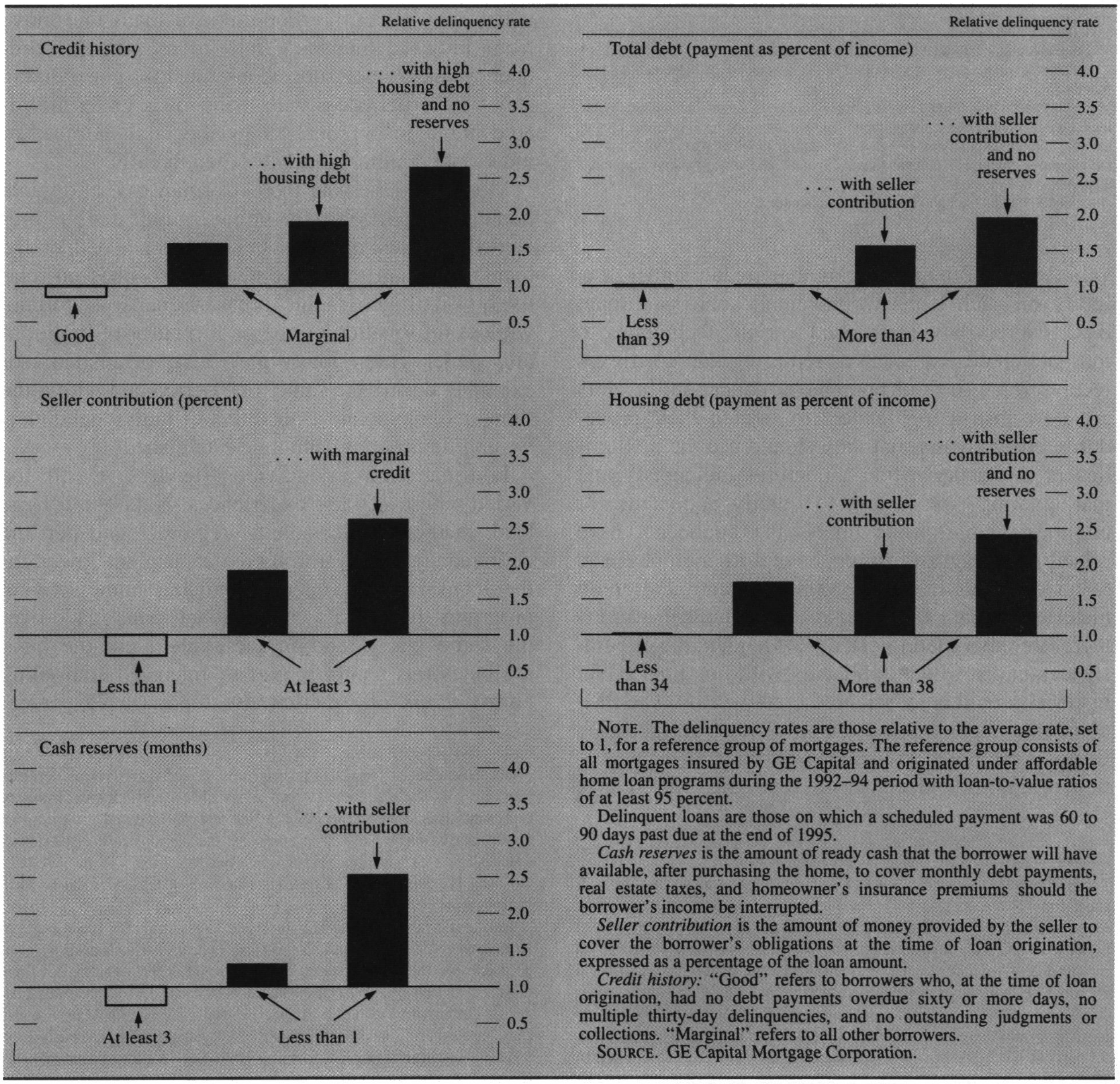
36. A subsequent study updated this analysis to cover loans originated from 1986 through 1991 (Larry Pierzchalski, "Guarding Against Risk," *Mortgage Banking*, June 1996, pp. 38–45).

A third large mortgage insurance company, United Guaranty Corporation, reports that among the loans it insures, delinquency rates on loans from affordable home lending programs (of various types) exceed those on traditionally underwritten loans with the same loan-to-value ratio and year of origination (chart 3).[37] Among the affordable home loans that it has insured, those extended under the 3/2 option program have the highest delinquency rate. Like the other PMI companies, United Guaranty also indicates that it is too soon to determine whether the elevated delinquency rates on loans originated under affordable home lending programs will ultimately result in elevated claim rates and higher losses.

The PMI industry has generally not attempted to explicitly price the portion of the risk on loans made under affordable home lending programs that exceeds the risk on standard loans with the same loan-to-

37. Like the other PMI companies, United Guaranty also reports that loans underwritten using multiple flexibilities have substantially higher delinquency rates than other loans.

2. Effect on the performance of mortgages originated under affordable home loan programs when underwriting flexibilities are combined to qualify the borrower, by risk factor



NOTE. The delinquency rates are those relative to the average rate, set to 1, for a reference group of mortgages. The reference group consists of all mortgages insured by GE Capital and originated under affordable home loan programs during the 1992–94 period with loan-to-value ratios of at least 95 percent.

Delinquent loans are those on which a scheduled payment was 60 to 90 days past due at the end of 1995.

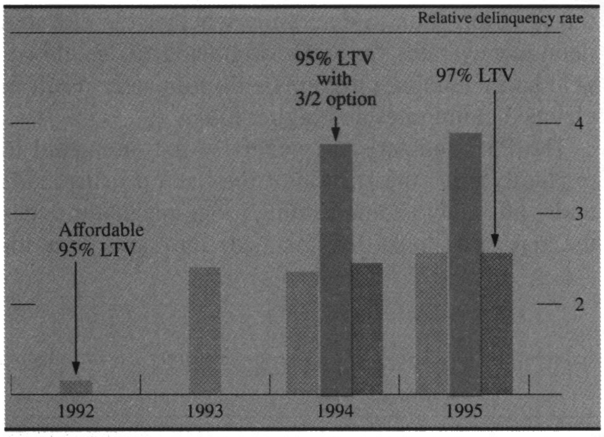
Cash reserves is the amount of ready cash that the borrower will have available, after purchasing the home, to cover monthly debt payments, real estate taxes, and homeowner's insurance premiums should the borrower's income be interrupted.

Seller contribution is the amount of money provided by the seller to cover the borrower's obligations at the time of loan origination, expressed as a percentage of the loan amount.

Credit history: "Good" refers to borrowers who, at the time of loan origination, had no debt payments overdue sixty or more days, no multiple thirty-day delinquencies, and no outstanding judgments or collections. "Marginal" refers to all other borrowers.

SOURCE. GE Capital Mortgage Corporation.

3. Relative delinquency rates of selected, privately insured, affordable home mortgages, by year of origination and type of loan



NOTE. The delinquency rates shown are those relative to the rate on standard 95 percent loan-to-value (LTV) ratio loans, for which the rate was set to 1.

Delinquencies are payments reported by lenders as being at least thirty days past due.

In this chart, the affordable loan category comprises loans designated by the lender as affordable home loans, loans sold to a state or local housing finance agency, and 97 percent loan-to-value ratio loans. In loans with the 3/2 option, the borrower made a 3 percent down payment and a third party supplied a 2 percent down payment.

SOURCE. United Guaranty Residential Insurance Co.

value ratio.[38] But anticipating that greater lender flexibility on such loans would entail some additional risk, insurers have employed various techniques to mitigate credit risk, such as requiring that borrowers receive some form of homebuyer education. Insurers are now instructing lenders to tighten their procedures, emphasizing that they should use the flexibilities in the underwriting guidelines judiciously and that layering risk factors to qualify applicants for credit is inappropriate unless the applicants have offsetting strengths. Insurers have further emphasized to underwriters that borrowers with marginal credit histories also are at greater risk of default;[39] insurers therefore have tried to clarify for lenders the circumstances under which applicants with marginal credit histories would be considered creditworthy. The PMI companies have expressed confidence that tightening procedures, along with improved homebuyer education programs and enhanced servicing, will reduce the risks of offering flexible underwriting standards to levels more in line with their current pricing structure.[40]

Experiences of Primary-Market Lending Institutions

While secondary-market institutions and the PMI companies have had quite similar experiences with affordable home lending, individual banks and savings institutions that originate mortgages report much more varied experiences with such loans. The programs of the depository institutions vary greatly in their target populations and details of operation. Institutions also differ in their loan servicing practices, which may affect the proportion of loans that move from initial delinquency into more serious delinquency and foreclosure. Consequently, generalizing about the experiences with loans made under affordable home loan programs by the large number of individual creditors that offer them is difficult.

Moreover, assessing the performance of affordable home loan portfolios is often complicated or precluded by a lack of adequate performance data on the loans. Most are relatively new and focused on relatively small geographic areas. Equally important, without information on the performance of traditionally underwritten loans that were originated, for example, during the same time period and within the same geographic area, the effect of individual underwriting flexibilities cannot be established.

Information from individual lenders reveals the varied nature of their experiences. NatWest, a large bank in the Middle Atlantic region, found that the delinquency rate was roughly 25 percent lower for the loans it made under affordable home lending programs than for its conventional loans made over the same period and in the same area; the bank attributes this record in part to enhanced counseling efforts. Bank of America also reports a 25 percent

38. Recently, however, United Guaranty announced that it will raise the insurance premium for its 95 percent loan-to-value ratio loans in which 2 percentage points of the funds are provided by a third party (that is, 3/2 option loans); the premium will rise to the level required of 97 percent loan-to-value ratio loans, which have exhibited elevated delinquency rates comparable to those on 3/2 option loans.

39. An analysis of delinquent loans made under affordable home loan programs insured by United Guaranty found, for example, that 53 percent have one or more major credit payment problems listed in their credit bureau reports.

40. Homebuyer education programs have varied considerably, ranging from the rudimentary to a series of in-depth classes. Industry representatives continue to believe that a well-designed program can significantly help borrowers prepare for the responsibilities of homeownership ("Affordable Housing—An Interview With MGIC's Gordon H. Steinbach," *Creative Interfaces,* Chevy Chase, Md., March–April 1996, p. 2).

In line with that objective, Fannie Mae has organized the American Homeowner Education and Counseling Institute, whose purpose is to help enlarge the pool of first-time homebuyers through the development of a high-quality, standardized education and counseling program. The institute is being financed initially by Fannie Mae, Freddie Mac, and several lenders and industry associations (Edward Kulkosky, "Fannie Institute's Goal: Informing Both Lenders and Potential Borrowers," *American Banker,* June 5, 1996, p. 8).

lower delinquency rate for its affordable home loans relative to its traditionally underwritten loans. They attribute this relatively favorable performance to the careful application of underwriting flexibilities based on their many years of experience with affordable home lending.

In contrast, other banks have found that delinquency rates on loans extended under affordable home programs have exceeded those on traditionally underwritten loans having comparable loan-to-value ratios. Moreover, like the secondary-market institutions, these banks have had higher delinquency rates on loans involving multiple flexibilities.

Participants in the NeighborWorks network—regional lending consortiums organized by the Neighborhood Reinvestment Corporation (NRC)—have also had a variety of experiences with the loans they have originated under affordable home lending programs. For some NeighborWorks programs, the rate for delinquencies lasting sixty days or longer is close to or below the industry average, while the rate is higher for other NeighborWorks programs. NRC views homebuyer education, both prepurchase and postpurchase, to be an essential element of successful affordable home lending programs.[41]

Geographic Concentration of Defaults

Not addressed in most analyses of affordable home lending programs is the question of whether delinquencies and defaults of loans in such programs tend to be geographically concentrated. Many affordable lending programs target specific neighborhoods or involve criteria that tend to focus the geographic reach of these programs. Consequently, the portfolio of affordable home program loans would tend to be less geographically diverse than the portfolio of traditionally underwritten loans. From a social perspective, this issue may be important because geographic concentrations of foreclosed properties can have adverse effects on neighborhood stability.[42]

Little is known about the degree of geographic concentration of defaults in affordable lending programs. One recent study, however, has investigated this issue using information from a single lender on the performance of loans underwritten under an affordable home loan program in Philadelphia.[43] The study found that more than two-thirds of the loans that were delinquent at least ninety days were located in Census tracts where only one-third of the bank's affordable home loans had been extended. The study's preliminary analysis suggests that geographic factors, such as area unemployment rates, are important in predicting these delinquencies. In addition, the borrower's credit history, as summarized by a credit history score, is also a strong predictor of loan delinquency. Two factors may have mitigated the adverse effects of concentration: Tracts with high delinquency rates are dispersed across the city, and the lender typically works with seriously delinquent borrowers, providing a period of forbearance to help them resume payments and avoid foreclosure.

SUMMARY

To measure credit risk, lenders gather information about prospective borrowers and the collateral they offer and then assess this information in light of experience gained from extending credit in the past. Historically, lenders have relied heavily on the subjective judgment of underwriters in assessing credit risk.

To facilitate the underwriting process, reduce costs, and promote consistency, lenders have brought credit scoring into the process. In some uses, credit scores are based exclusively on credit bureau records and, as such, provide a summary measure of the relative credit risk posed by individuals with differing credit histories. In other uses, credit scores are based on a wider range of information and are used to evaluate the overall credit risk posed by an applicant, providing a summary measure that lenders can use to gauge the acceptability of an application.

The data consistently show that credit scores are useful in gauging the relative levels of risk posed by both prospective mortgage borrowers and those with existing mortgages. Although the absolute levels of delinquency and default are low in all score

41. George Knight and Catherine A. Smith, "Death Knell or False Alarm? Assessing the Risks in Lending," *Stone Soup,* Fall 1995, pp. 4–7.

42. Concern about the adverse neighborhood consequences of geographic concentrations of defaults in the FHA lending program are longstanding. Historically, the economic deterioration of many inner-city neighborhoods has been linked to the level of FHA lending in these communities and the relatively high rate of foreclosure and property abandonment associated with this lending program. See Calvin Bradford and Anne B. Schlay, "Assessing a Can Opener: Economic Theory's Failure to Explain Discrimination in FHA Lending Markets," *CityScape,* U.S. Department of Housing and Urban Development, March 1996, pp. 77–88.

43. See Paul S. Calem and Susan M. Wachter, "Performance of Mortgages in a Community Reinvestment Portfolio: Implications for Flexible Lending Initiatives," paper presented at the American Real Estate and Urban Economics Association meetings, San Francisco, January 1996.

categories, the proportion of problem loans increases as credit scores decrease. That relationship puts the focus of business concern on the prospective and existing borrowers with low scores because even small increases in the rate of default may mean the difference between profit and loss.

Analysis of the distribution of borrowers across credit history score ranges suggests that most households have relatively high scores, regardless of the income or home value characteristics of the areas in which they reside. However, relatively more of those who reside in lower-income locations or in locations with lower home values have lower scores.

For many institutions in the mortgage market, evaluating and managing the risks of lending to nontraditional borrowers and the risks of allowing greater flexibility in underwriting are relatively new experiences. Carefully evaluating the experiences to date provides important insights.

Available information suggests that most borrowers with loans made under affordable home loan programs have made their payments on time. Problems to date appear to have been concentrated among loans in which underwriting flexibilities have been layered and loans in which third-party down-payment assistance has been allowed.

Lenders and mortgage insurers have responded by tightening their procedures, emphasizing to underwriters that the flexibilities provided in underwriting guidelines need to be used judiciously and that appropriate compensating factors are needed to offset the risks associated with lending outside traditional guidelines. Market participants generally agree that, to be viable, affordable home lending programs must be accompanied by effective risk mitigation activities, including homebuyer education programs and enhanced loan servicing. Affordable lending programs are evolving and, as experience is gained, lenders are likely to find ways to expand homebuying opportunities without accepting undue risks. □

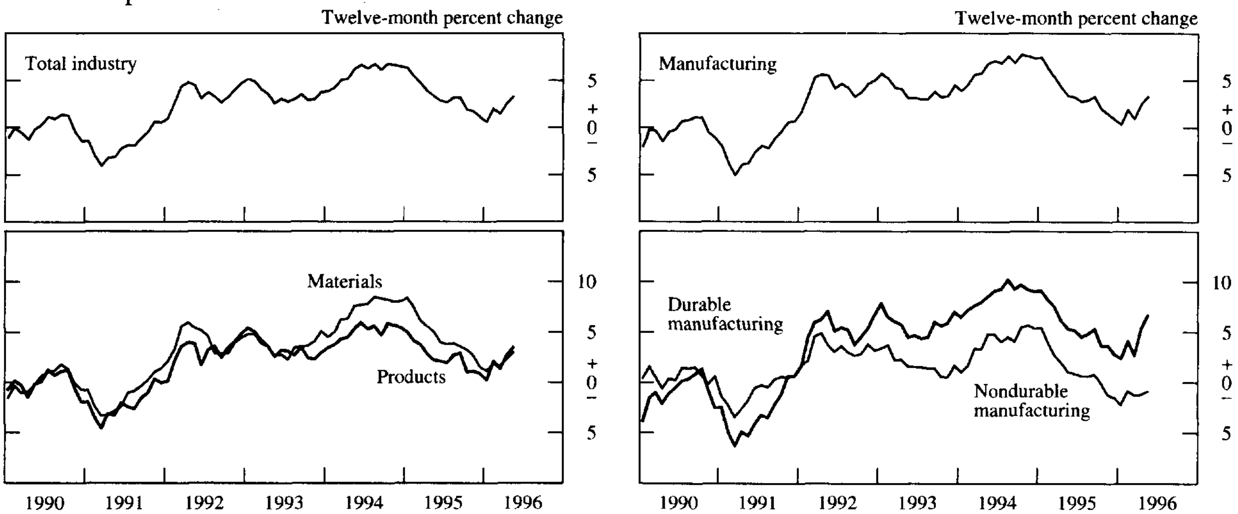
Industrial Production and Capacity Utilization for May 1996

Released for publication June 14

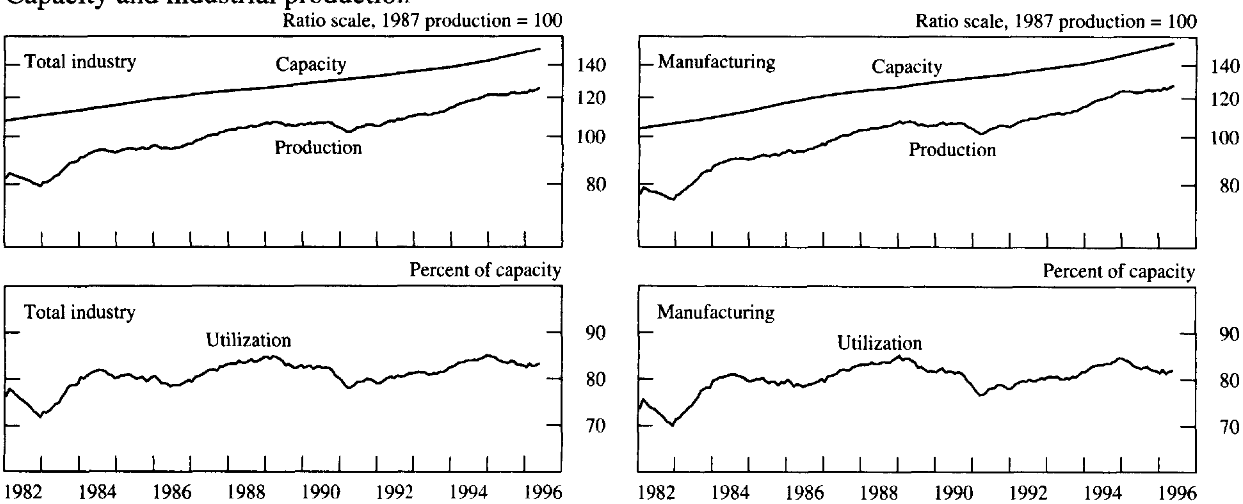
Industrial production advanced 0.7 percent in May, as it had in April. A portion of the increase reflected a spurt in electricity generation related to the unusual weather in May. Excluding the 3 percent gain in utilities production, the index of industrial production rose 0.5 percent, led by sizable gains in business equipment and durable goods materials. At 125.3 percent of its 1987 average, total industrial production was 3.2 percent higher than it was in May 1995. Industrial capacity utilization rose 0.3 percentage point in May, to 83.2 percent.

When analyzed by market group, the data show that the output of consumer goods rose 0.4 percent in May largely because of the jump in residential electricity sales. The production of automotive products, which had rebounded 11.8 percent in April from a

Industrial production indexes



Capacity and industrial production



All series are seasonally adjusted. Latest series, May. Capacity is an index of potential industrial production.

Industrial production and capacity utilization, May 1996

Category	Industrial production, index, 1987=100								
	1996				Percentage change				
					1996[1]				May 1995 to May 1996
	Feb. r	Mar. r	Apr. r	May p	Feb. r	Mar. r	Apr. r	May p	
Total	**124.2**	**123.6**	**124.4**	**125.3**	**1.3**	**-.5**	**.7**	**.7**	**3.2**
Previous estimate	123.9	123.4	124.5	...	1.2	-.5	.9	...	...
Major market groups									
Products, total[2]	120.7	120.0	120.9	121.6	1.8	-.6	.8	.6	3.4
Consumer goods	116.6	115.3	116.1	116.5	1.7	-1.1	.7	.4	2.1
Business equipment	164.8	163.0	166.4	167.7	2.7	-1.1	2.1	.8	8.7
Construction supplies	109.3	111.0	110.4	110.7	1.9	1.6	-.6	.3	3.9
Materials	129.4	129.2	129.8	131.0	.7	-.2	.5	.9	2.9
Major industry groups									
Manufacturing	126.2	125.2	126.5	127.2	1.4	-.8	1.1	.5	3.3
Durable	137.5	135.7	138.6	139.7	1.9	-1.3	2.2	.8	6.6
Nondurable	113.8	113.6	113.2	113.4	.7	-.2	-.4	.2	-.9
Mining	98.0	101.1	99.8	99.8	.9	3.2	-1.3	.0	-.7
Utilities	126.6	127.9	125.6	129.4	.8	1.1	-1.8	3.1	6.0

Category	Capacity utilization, percent								Memo Capacity, percentage change, May 1995 to May 1996
	Average, 1967–95	Low, 1982	High, 1988–89	1995	1996				
				May	Feb. r	Mar. r	Apr. r	May p	
Total	**82.1**	**71.8**	**84.9**	**83.7**	**83.3**	**82.6**	**82.9**	**83.2**	**3.9**
Previous estimate	...	...	...	...	83.1	82.5	83.0	...	...
Manufacturing	81.4	70.0	85.2	82.8	82.3	81.3	81.9	82.0	4.3
Advanced processing	80.7	71.4	83.5	80.8	81.1	79.6	80.5	80.6	5.1
Primary processing	82.6	66.8	89.0	87.8	84.9	85.2	85.0	85.2	2.6
Mining	87.4	80.6	86.5	89.7	87.6	90.4	89.2	89.2	-.1
Utilities	86.9	76.2	92.6	90.6	93.1	93.9	92.1	94.8	1.3

NOTE. Data seasonally adjusted or calculated from seasonally adjusted monthly data.
1. Change from preceding month.
2. Contains components in addition to those shown.
r Revised.
p Preliminary.

strike-induced drop, moved up another 0.6 percent in May. After all the recent volatility, the index for automotive products in April and May was in the upper end of the range that has prevailed during the past two years. The production index for other durable consumer goods has changed little in the past two months and approximately equaled its average level in both 1994 and 1995. The output of consumer nondurable goods, which dropped 0.6 percent in April, advanced 0.4 percent in May, reflecting the surge in utility output for residential use; among other consumer nondurables, production was flat overall and has changed little since last summer.

The index for business equipment climbed 0.8 percent. The production of computer and office equipment continued to advance strongly; the gain over the past twelve months totaled nearly 40 percent. The output of industrial equipment turned up after having eased for two months. The index for transit equipment fell 0.8 percent as truck production fell back. The production of farm and service industry equipment declined as well.

The output of construction supplies advanced 0.3 percent. So far this year, this sector has extended the recovery that began last fall. In the past three months average output was 1.5 percent higher than in the fourth quarter. The production of materials increased 0.9 percent in May after a gain of 0.5 percent in April. The strength was evident in durable goods materials, particularly semiconductors, computer parts, miscellaneous plastics materials, and parts used to make motor vehicles. The output of nondurable goods materials increased 0.2 percent. The production of energy materials rebounded 1.3 percent, with the gain centered in electricity generation and coal mining.

When analyzed by industry group, the data show that manufacturing output advanced 0.5 percent after a gain of 1.1 percent in April. The strength continued to be centered in durable manufacturing, which climbed 0.8 percent. Production increased 1 percent or more for computers, furniture, and electrical machinery. The output of nondurables rose 0.2 percent but remained nearly 1 percent lower than a year ago. The output of paper and products, which had fallen sharply in the second half of 1995 and early this year, has improved a bit in recent months. Production of textiles and rubber and plastics products rebounded from a sharp decline in April. Production in mining did not change, and the output at utilities jumped 3.1 percent.

The factory operating rate edged up 0.1 percentage point, to 82.0 percent, the same level as in the fourth quarter. The utilization rate in advanced-processing industries is close to its 1967–95 average, while the rate in the primary-processing grouping, at 85.2 percent, is 2½ percentage points above its long-run average. Among primary-processing industries, utilization rates remain on the high side for lumber and products, primary metals and fabricated metal products, petroleum refining, and rubber and plastics products; rates are below average for paper and textile mill products. In mining, the utilization rate remained at 89.2 percent, with gains in coal mining and oil and gas well drilling and declines in other categories. The operating rate for utilities rose 2.7 percentage points, to 94.8 percent. The electric utility industry operated at a high level on a seasonally adjusted basis; generation has grown more than generating capacity in recent years. □

Statement to the Congress

Statement by Janet L. Yellen, Member, Board of Governors of the Federal Reserve System, before the Committee on Small Business of the U.S. House of Representatives, May 1, 1996

I am pleased to be here today to discuss the environment for small business financing and the role of banks in providing credit to small firms.

Small businesses are a vital part of our economy. They play a key role in the generation of jobs, new ideas, and the preservation of the entrepreneurial spirit; no one would question the contribution that a thriving small business sector makes to the well-being of our nation. It is therefore appropriate that small businesses hold a special place in the considerations of policymakers at all levels of government.

The Federal Reserve Board has devoted considerable effort to building our knowledge of the characteristics of small businesses and their use of financial services. As the committee is aware, we have recently completed our second National Survey of Small Business Finances; Board staff are now processing the results of extensive interviews with more than 5,000 small business owners around the country. Some of the early findings from the survey were published in the July 1995 *Federal Reserve Bulletin*, and we will continue to analyze and report on the data as they become available. I will refer to this and other survey information in my remarks this morning.

CREDIT AVAILABILITY TODAY

As I developed my thoughts for this hearing, I came to appreciate how much more pleasant it is to report on conditions in good times than in bad times. When Chairman Greenspan appeared before this committee in early 1993, a tepid recovery from recession was beginning to give way to more solid expansion. But commercial banks were still struggling with severe loan problems that had resulted from excessive optimism in real estate and certain other loan markets in the 1980s. Because of large loan losses, many depository institutions had failed or been merged. Although there were signs in 1993 that banks were on the mend, credit conditions generally remained quite tight. The sting of the "credit crunch" was still a fresh memory in the minds of borrowers and lenders, not to mention policymakers.

Out of concern that exaggerated lending restraint might have been fostered by regulatory and legislative reactions to the numerous problems in the industry, the regulatory agencies undertook an extensive review of their policies and practices. This review produced a number of measures aimed at removing impediments that might stand in the way of lending to creditworthy borrowers. Former Federal Reserve Governor John LaWare, in testimony two years ago, highlighted for this committee many of these changes.

Since then, the agencies have continued their efforts to reduce the burden of regulation and to ensure that examiners evaluate bank lending in a consistent, prudent, and balanced manner.

I think we would all agree that the financial environment today is markedly improved from that of 1993. Although undoubtedly there remain pockets of weakness and problems for individual small businesses, a wide array of statistical indicators suggest that access to bank credit has eased appreciably for all businesses. Business loans at banks have expanded rapidly since 1993. Indeed, the volume of commercial and industrial loans at banks grew strongly in 1994 and then last year registered its largest percentage increase in more than a decade (13 percent).

Small businesses have participated in this expansion. Data collected from banks in their June Call Reports reveal that small commercial loans (defined as loans of $1 million or less and including those secured by commercial real estate) increased more than 7 percent between June 1994 and June 1995. Roughly one-third of the growth in small loans over that period occurred at 7,000 mostly small and regional banks whose business loan portfolios comprise only small loans.

A good portion of the expansion, however, was at large banks (those with assets of $5 billion or more). Part of the growth at large banks reflected the effect of bank mergers that moved more banking assets into the largest size categories. Nonetheless, even after adjusting for these transactions, large institutions expanded their lending to small firms an estimated 4 percent. We sometimes forget that large banks account for an important share of loans to small businesses, even though such loans may be only a small fraction of a large institution's total assets.

The pickup in business loan growth has been, in important part, a demand-related phenomenon. As the economy has grown, business needs for financing have expanded as well.

But the willingness of banks to supply credit also has been on the upswing. Continued improvements in bank profits, healthy capital positions, and low delinquency rates on business loans have encouraged banks to compete aggressively for business customers. The Federal Reserve conducts quarterly surveys of senior loan officers at sixty large banks around the country. For ten consecutive quarters since mid-1993 until the end of last year, these banks, on net, reported easing the terms and standards applied to business loans for all sizes of borrowers. Respondent banks last year attributed their easing primarily to increased competition from other banks and, to a lesser extent, from nonbank lenders. This easing has shown up in surveys of lending terms: For example, the spread between rates on business loans and market interest rates fell last year for loans of all sizes.

Perhaps the most telling evidence of improved financing opportunities are reports from small businesses themselves. Small and midsized firms surveyed by the National Federation of Independent Businesses (NFIB) had reported that "interest rates and financing" were among their most pressing problems in the early 1990s. However, only a small percentage of firms cited this as a concern in recent surveys. In addition, the net percentage of NFIB respondents reporting that credit was more difficult to obtain dropped appreciably from peaks in 1990 and 1991 and has fluctuated around low levels over the past year. The NFIB surveys have been consistent with reports heard at the Federal Reserve. For example, the Federal Reserve District Banks meet periodically with representatives from the small business and agricultural sectors; representatives at these meetings generally have been quite positive with regard to credit availability.

It would appear from our latest quarterly surveys of banks that the trend toward easing standards for business loans has come to an end, but there is no sign of reversal, and banks, on balance, remain accommodative to business credit demands. Given prospects for moderate growth in economic activity and the healthy position of banks, the outlook for bank lending to small businesses continues to be favorable.

While we are pleased with the improvements in credit availability, it would be foolish to assume that no problem areas exist or that small businesses are no longer vulnerable to changes in the financial environment. The small business community is diverse. Many businesses are quite small without the operating history or assets that make them good credit risks. Start-up businesses may have high growth potential but little equity. Because most small businesses have no access to public debt markets and equity markets, they are likely to be especially sensitive to developments that affect institutional lenders and local credit markets.

As we consider the potential problems that small businesses may face down the road, we would like to know more about their sources of credit. Our survey of small businesses provides some useful insights in this regard.

Sources of Small Business Credit: Survey Evidence

In our 1993 survey, 84 percent of small and medium-sized businesses identified a commercial bank as their primary financial institution. Banks were used more often than any other type of supplier. Most small firms used checking services at banks, and commercial banks are used twice as often as any other source for lines of credit, loans, or leases.

Most small businesses used a commercial bank located close to the firm—indeed, about 85 percent of all suppliers of financial services to small businesses were located within thirty miles, and about half of the depository institutions were within two miles.

About one-third of small firms also used nondepository institutions for financial services, and 20 percent had some loan from a nondepository source. The most common loans from these sources are vehicle loans and capital leases. Such loans are generally secured by tangible assets and often supplied by the captive finance companies of manufacturers of automobiles and other equipment. In contrast, small businesses rarely obtain unsecured loans or lines of credit from nondepository institutions. Slightly fewer than 10 percent had loans from family and friends.

The survey indicates that the use of nonbank sources increases with firm size. In particular, very small firms rarely used nondepository sources, whereas about 40 percent of firms with fifty or more employees used nondepository sources.

Overall, the survey confirms that banks, especially local institutions, continue to play a major role in small business finance. The relationship between banks and small businesses involves a wide range of services supplied by the bank.

LOOKING AHEAD: BANKS AND SMALL BUSINESS LENDING

Looking ahead, there are a number of developments in banking markets that may be significant for small business borrowers. Perhaps the most prominent is the ongoing consolidation of the banking industry. Some fear that this trend may impede the flow of credit to small businesses and disrupt the relationships that many small businesses have with their local banks. This issue deserves careful attention, and I think it worthwhile to offer a few thoughts on the subject this morning.

First, it is important that we put the trend in merger activity in perspective. In the past ten years, the U.S. banking structure has undergone extensive change as banks have adjusted to the removal of long-standing restrictions on interstate banking and have responded to technological change and growing international competition. One result has been a sharp decline in the number of banking institutions—from more than 14,000 in 1985 to near 10,000 in 1995. Part of this decline was a result of bank failures: Nearly 1,200 banks were forced to close, and many weak institutions were merged.

Despite the decline in the number of banks, the number of banking offices and branches has risen sharply. (Banking offices jumped from 53,000 in 1980 to 65,000 in 1995.) There appears to have been no reduction in the availability of banking offices serving the public.

Moreover, analyses of banking markets over the years have provided little support for the notion that when large banks enter a market, they drive out the smaller banks. Rather, small banks have been, and continue to be, able to retain market shares and operate profitably in competition with larger banks. Our staff studies have shown that smaller banks typically perform as well as or better than their larger counterpart, even in markets dominated by large institutions.

This makes it hard to accept the notion that profitable lending opportunities in our local communities will be unmet. If the local bank is making profitable small business loans, it seems logical that its acquirer would continue to make those loans. Should large banks find it is too costly to establish a lending presence in small business markets—perhaps because it is inefficient for large, remote institutions to maintain close working relationships with small customers—then other small banks in the area will be positioned to fill the gap. Consistent with this view, there were reports that community banks were eagerly looking to increase their market shares after some of the larger bank mergers last year.

Although some banking relationships inevitably will be disturbed when ownership and management change, we would expect these effects to be short-lived.

I offer these generalizations with caution. The Federal Reserve takes very seriously its responsibility for evaluating the possible impact of bank mergers on local markets. We have found that each assessment must be done on a case-by-case and market-by-market basis. To this end, we devote considerable resources to assessing competitive impacts, Community Reinvestment Act concerns, and a variety of other factors. We will be watching closely for evidence that small businesses are being disadvantaged by bank mergers.

OTHER DEVELOPMENTS

A number of other changes in the credit markets seemingly bode well for small business financing, including the efforts of large institutions to meet community development concerns and enhance their presence in local markets. Recently, large West Coast banks have announced programs that would channel billions of dollars into small business lending. Some of these programs reportedly have been structured to streamline the application process and make it easier for small businesses to obtain loan approval on a timely basis.

In addition, new technologies and information flows are providing opportunities for banks and other lenders to more efficiently evaluate loan risks. One technique that is rapidly gaining acceptance is credit scoring. Credit scoring is a statistical procedure that provides an estimate of default probability for individual loans, based on borrower and loan characteristics. The development of credit scoring models requires that lenders have access to a large amount of historical information on the performance of loans with similar characteristics. It inevitably will take time to develop databases of small business loans, given the diverse characteristics of the millions of small borrowers. But once developed, credit scoring and loan standardization may offer significant cost advantages for evaluating the risks associated with lending. Many large banks already have begun to probe the possibilities of credit scoring techniques for small business markets.

As credit scoring and loan standardization become more commonplace, we may well see growth in the amount of small business loan securitization. To date that growth has been hampered by the huge diversity among small business borrowers and the difficulty in accurately assessing the riskiness of pools of nonstandard small business loans. In contrast, the bulk of loans that are backed by the Small Business Administration (SBA) have been more easily securitized because they are known to be low risk by virtue of their guarantee. The ability to securitize non-SBA loans would increase the liquidity of small business lending and provide banks and other lenders with additional sources of funding. We anticipate that the cost savings generated through these new processes will be passed on, at least in part, to small business customers.

Clearly not all small business loans are going to be appropriate candidates for securitization, and not all banks will wish to adopt complex statistical models for managing risks. There will continue to be a market for nonstandard small business lending and a role for regional and community banks. Of course, we should also expect that small businesses that do not easily fit the standard models will not share in the cost savings that credit scoring will provide.

The agencies also have worked to improve the liquidity of small business loans by refining the risk-based capital standards for those loans sold with recourse. In response to section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994, the agencies lowered the capital requirement for small business loans that are transferred with recourse by well-capitalized banking organizations. This change should facilitate the securitization of small business loans, while at the same time ensuring that qualifying banks hold adequate capital.

The banking agencies are mindful of the fact that loans to small businesses are vulnerable to regulatory burden as well. Spreading fixed regulatory compliance costs over small balances can make such loans more costly to originate than large loans. Thus, the agencies took great care to avoid unnecessary costs when we implemented safety and soundness standards pursuant to section 132 of the Federal Deposit Insurance Corporation Improvement Act of 1991. That law directed the agencies to provide safety and soundness standards for, among other things, loan documentation and credit underwriting. Rather than prescribing detailed and costly requirements on what should be contained in a file for a small business loan, the standards establish goals for the documentation, leaving the specific methods for achieving those goals to each institution.

SUMMARY

Let me conclude by saying that I am optimistic about the outlook for small business credit availability. We have emerged from the credit crunch into a much sounder financing environment and a well-balanced economic expansion. Bank balance sheets are vastly improved. Moreover, many of the new developments in banking point to more efficient risk management techniques that could lower costs of small business lending. At the same time, many of our large banks have become quite actively involved in small business and community development programs.

Our conversations with bankers and small business groups suggest that bank regulatory issues are not the pressing concern today that they were a few years earlier. Nonetheless, we, as regulators, will continue to review our rules and procedures to ensure that unnecessary burdens do not hinder banks' willingness to lend to creditworthy small businesses. □

Announcements

Meeting of the Consumer Advisory Council

The Federal Reserve Board announced on May 31, 1996, that the Consumer Advisory Council would meet in a session open to the public on June 27, 1996. The council's function is to advise the Board on the exercise of the Board's responsibilities under the Consumer Credit Protection Act and on other matters on which the Board seeks its advice.

Regulation K: Final Rule

The Federal Reserve Board announced on May 9, 1996, a final rule amending provisions of Regulation K (International Banking Operations) regarding interstate banking operations of foreign banking organizations. The final rule was effective immediately.

The Riegle–Neal Interstate Banking and Branching Efficiency Act of 1994 removed geographic restrictions on interstate banking by foreign banks effective September 29, 1995, and requires that certain foreign banks without U.S. deposit-taking offices select a home state for the first time.

The final rule requires that these foreign banks select a home state by June 30, 1996, and removes outdated restrictions on certain mergers by U.S. bank subsidiaries of foreign banks outside the home state of a foreign bank. Obsolete and superseded provisions of Regulation K concerning home state selection were also deleted.

Approval of a Joint Agency Policy Statement on Managing Interest Rate Risk

The Federal Reserve Board on May 23, 1996, approved a joint agency policy statement providing guidance to banks on sound practices to be followed for managing interest rate risk.

The policy statement emphasizes the importance of adequate oversight by a bank's board of directors and senior management and of a sound risk management process.

The preamble states that the agencies have elected not to pursue a standardized measurement framework previously issued for comment in August 1995. This decision reflects concerns about the burden, accuracy, and complexity of a standardized measure and recognition that industry techniques for measuring interest rate risk are continuing to evolve.

The joint policy statement had earlier been approved by the Federal Deposit Insurance Corporation and the Comptroller of the Currency for banks under their jurisdiction.

The assessment of interest rate risk management made by examiners in accordance with the joint policy statement will be incorporated into a bank's overall risk management rating. Last year the Board announced that Federal Reserve examiners will assign a formal rating of the risk management profile of state member banks and bank holding companies and that this rating will be given significant weight in determining the overall effectiveness of management.

Adoption of a State–Federal Supervisory Protocol

The Federal Reserve Board announced on May 22, 1996, the adoption of a state–federal supervisory protocol for the coordinated supervision of state-chartered banking organizations that operate across state lines.

The protocol, accompanied by a model agreement, is designed to reduce regulatory burden and improve the efficiency of bank examinations. It has also been adopted by the Federal Deposit Insurance Corporation and the Conference of State Bank Supervisors.

The protocol is a statement of principles that provides for the appropriate federal regulator and state supervisor to coordinate the supervision of interstate banks to ensure safety and soundness, reduce burden, and minimize duplication. One requirement, for example, is for federal and state regulators to develop a joint supervisory program for each state-chartered interstate bank, including plans for upcoming examinations. It also provides for conducting examinations on either a joint or an alternate basis and for the sharing of information among regulators.

The model agreement carries out provisions of the protocol and would be signed by, for example, a Federal Reserve Bank and state supervisors in a particular Federal Reserve District.

PROPOSED ACTIONS

The Federal Reserve Board on May 16, 1996, requested comment on proposed revisions to its Regulation Z (Truth in Lending) to incorporate changes made by the Truth in Lending Act Amendments of 1995. Comments were requested by June 21, 1996.

The Board is also proposing to revise Regulation Z to establish new disclosure rules for debt cancellation contracts that would be similar to the rules for credit insurance.

The Federal Reserve Board on May 16, 1996, requested public comment on clarifying and technical amendments to its Regulation CC (Availability of Funds and Collection of Checks). In some cases the amendments also reduce the compliance burden for depository institutions. Comments were requested by July 19, 1996.

On May 22, 1996, the Federal Reserve Board withdrew proposed amendments to its commentary on Regulation DD (Truth in Savings) that were originally issued for public comment December 6. Based on the approximately fifty comments received and on further analysis, the Board decided to withdraw the proposal because of the narrow scope and added regulatory burden of the guidance. The Board believes that the existing commentary provides sufficient guidance.

AVAILABILITY OF A VIDEO TO HELP LENDERS TO TRIBAL GOVERNMENTS AND INDIVIDUALS ON NATIVE AMERICAN RESERVATIONS

The Federal Reserve announced on May 17, 1996, the availability of a video designed to help lenders establish profitable relationships with tribal governments and individuals on Native American reservations.

The videotaped seminar, entitled "Lending in Indian Country: Culture and Legal Issues," was developed by the Federal Reserve Bank of Minneapolis. The five-part video and accompanying guidebook explore cultural differences, land and title issues, tribal powers, sovereign immunity, tribal courts, collateral, remedies, and other issues of interest to those seeking to do business in Indian country.

It features Jim West, president of West Ratcliff & Company of Albuquerque, an expert on Native American economic and business development, and Mark Jarboe, partner with the law firm of Dorsey & Whitney LLP of Minneapolis and chairman of its Indian and Gaming Law Department.

The video tapes and guidebook are available for $135, which includes $10 shipping and handling. A brochure and order form are available from the Federal Reserve Bank of Minneapolis at 1-800-553-9656, ext. 6008. □

Minutes of the Federal Open Market Committee Meeting Held on March 26, 1996

A meeting of the Federal Open Market Committee was held in the offices of the Board of Governors of the Federal Reserve System in Washington, D.C., on Tuesday, March 26, 1996, at 8:00 a.m.

Present:

Mr. Greenspan, Chairman
Mr. McDonough, Vice Chairman
Mr. Boehne
Mr. Jordan
Mr. Kelley
Mr. Lindsey
Mr. McTeer
Ms. Phillips
Mr. Stern
Ms. Yellen

Messrs. Broaddus, Guynn, Moskow, and Parry, Alternate Members of the Federal Open Market Committee

Messrs. Hoenig and Melzer, and Ms. Minehan, Presidents of the Federal Reserve Banks of Kansas City, St. Louis, and Boston respectively

Mr. Kohn, Secretary and Economist
Mr. Bernard, Deputy Secretary
Mr. Coyne, Assistant Secretary
Mr. Gillum, Assistant Secretary
Mr. Mattingly, General Counsel
Mr. Baxter, Deputy General Counsel
Mr. Prell, Economist
Mr. Truman, Economist

Messrs. Lang, Mishkin, Promisel, Rolnick, Rosenblum, Siegman, Simpson, Sniderman, and Stockton, Associate Economists

Mr. Fisher, Manager, System Open Market Account

Mr. Ettin, Deputy Director, Division of Research and Statistics, Board of Governors
Mr. Reinhart, Assistant Director, Division of Monetary Affairs, Board of Governors
Ms. Low, Open Market Secretariat Assistant, Division of Monetary Affairs, Board of Governors

Mr. Stone, First Vice President, Federal Reserve Bank of Philadelphia

Messrs. Davis, Dewald, Goodfriend, and Hunter, Senior Vice Presidents, Federal Reserve Banks of Kansas City, St. Louis, Richmond, and Chicago respectively
Mr. Judd, Ms. Rosenbaum, and Mr. Rosengren, Vice Presidents, Federal Reserve Banks of San Francisco, Atlanta, and Boston respectively
Mr. Bentley, Assistant Vice President, Federal Reserve Bank of New York

By unanimous vote, the minutes of the meeting of the Federal Open Market Committee held on January 30–31, 1996, were approved.

The Manager of the System Open Market Account reported on developments in foreign exchange markets during the period January 31, 1996, through March 25, 1996. There were no open market transactions in foreign currencies for System account during this period, and thus no vote was required of the Committee.

The Manager also reported on developments in domestic financial markets and on System open market transactions in government securities and federal agency obligations during the period January 31, 1996, through March 25, 1996. By unanimous vote, the Committee ratified these transactions.

The Committee then turned to a discussion of the economic and financial outlook and the implementation of monetary policy over the intermeeting period ahead. A summary of the economic and financial information available at the time of the meeting and of the Committee's discussion is provided below, followed by the domestic policy directive that was approved by the Committee and issued to the Federal Reserve Bank of New York.

Much of the information reviewed at this meeting had been influenced to an uncertain degree by unusually severe winter weather, industrial strikes, and U.S. government shutdowns. On balance, however, growth of economic activity appeared to have picked up after having slowed appreciably in late 1995. Growth in consumer spending seemed to have resumed at a moderate rate in the wake of January's storms; business spending on durable equipment was recording further healthy gains; and housing demand was showing some signs of strengthening. With businesses making considerable progress in getting their inventories under control, industrial production and employment had rebounded briskly. The recent data on prices gave little indication of any change in underlying inflation trends.

A surge in nonfarm payroll employment in February considerably more than offset a large weather-related drop in January. Very large job gains were recorded in February in the construction, retail trade, and services industries; however, some of these increases reflected the reversal of the depressing effects of January's severe winter storms and the efforts of some firms to make up for associated production losses. A small rise in manufacturing employment in February only partially offset a further loss of factory jobs in January. The civilian unemployment rate fell to 5.5 percent in February.

Industrial production rose sharply in February, more than offsetting a sizable decline in January. Part of the net increase in output over the January–February period reflected an upturn in aircraft production after the settlement of a strike at a major aircraft manufacturer. In addition, output of office and computing machines continued to rise at a rapid pace, and the production of other types of business equipment picked up. Output of consumer goods changed little on balance over the two-month period. Manufacturing production expanded about in line with capacity over the first two months of the year, leaving the overall rate of utilization of manufacturing capacity little changed.

Nominal retail sales increased briskly in February after having registered little change in January. The February spurt was paced by strong motor vehicle purchases, but spending at general merchandise stores and apparel outlets also was up considerably after a weak performance in previous months. Sales at durable goods stores were less robust, rising only slightly in February. Recent indicators of housing demand and activity were generally favorable. Starts of both single-family and multifamily units moved higher on balance over January and February, and sales of new homes increased appreciably in January (latest data available). By contrast, sales of existing homes declined in January for a fourth consecutive month.

Business demand for durable equipment apparently remained fairly robust in early 1996. Incoming orders for computing equipment were particularly strong in January, and shipments of such equipment posted further healthy gains. With airline profits high and new models of airplanes being introduced, orders for aircraft had climbed rapidly over recent months. Orders for other types of equipment also had picked up on balance over the last several months, although shipments of such equipment dropped in January after a sizable rise in the fourth quarter. Nonresidential construction activity appeared to be growing more slowly: Non-office commercial construction continued its upward trend but office, institutional, and industrial building activity had slowed noticeably in recent months, and contracts for those categories also had softened.

Business inventories rebounded sharply in January from a large drop in December. Much of the January buildup in stocks occurred in manufacturing, where part of the backup may have been associated with delays in shipments as a result of winter storms. The inventory–sales ratio for the sector edged up in January but was little changed on balance in recent months. Inventories at the wholesale level also rose considerably in January; the inventory–sales ratio increased slightly but was still well below the high levels of last fall. Retail stocks recorded a modest rise in January after a sharp decline in December. The January increase was in line with the advance in sales, and the inventory–sales ratio for the sector as a whole was unchanged from December and remained well below levels seen over most of 1995.

The nominal deficit on U.S. trade in goods and services in December (latest data available) was little changed from its November level. On a quarterly-average basis, however, the deficit in the fourth quarter was substantially smaller than it had been in the third quarter. The value of exports of goods and services rose appreciably in the fourth quarter, with the largest increases occurring in machinery exports and foreign tourist services. The value of imports declined slightly, largely as a result of decreases in imports of automotive products, consumer goods, and oil. The data available on economic conditions in the major foreign industrial countries in early 1996 suggested that a moderate recovery was under way in Japan, and there were some signs of a pickup in activity in much of Western Europe, although the German economy remained weak.

Inflation trends had remained stable in recent months. At the consumer level, food prices continued to edge up in February and energy prices again were under appreciable upward pressure. Excluding the often-volatile food and energy items, consumer prices advanced in February at a slightly slower rate than in January; and for the twelve months ended in February, consumer prices rose a little less than in the comparable year-earlier period. At the producer level, prices of finished goods other than food and energy were unchanged on balance over January and February; the rise in this measure of prices over the twelve months ended in February was somewhat larger than in the comparable year-earlier interval. Average hourly earnings of production and nonsupervisory workers edged down in February after a considerable increase in January. However, for the twelve-month period ended in February, average hourly earnings rose more than in the year-earlier period.

At its meeting on January 30–31, 1996, the Committee adopted a directive that called for a slight reduction in the degree of pressure on reserve positions, taking account of a possible reduction of ¼ percentage point in the discount rate. The directive approved by the Committee did not include a presumption about the likely direction of any adjustments to policy during the intermeeting period, should unanticipated developments warrant a policy change. Accordingly, the directive stated that in the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, slightly greater reserve restraint or slightly lesser reserve restraint would be acceptable during the intermeeting period. The reserve conditions associated with this directive were expected to be consistent with moderate growth of M2 and M3 over coming months.

On January 31, the Board of Governors approved a reduction of ¼ percentage point in the discount rate, to a level of 5 percent. The decrease was made effective immediately and was passed through to interest rates in reserve markets. Open market operations during the intermeeting period were directed toward maintaining this new policy stance, and the federal funds rate averaged around 5¼ percent, the level expected to be associated with that stance.

Because the easing move had been largely anticipated in financial markets, the initial response was a small decline in short-term rates and little change in long-term rates. Over the remainder of the period, however, most interest rates moved higher in response to incoming economic data that were seen as suggesting improved prospects for economic growth and, accordingly, a reduced likelihood of further easings in monetary policy. In addition, the absence of much progress in federal budget negotiations was viewed by the markets as indicating that the chances a major multiyear deficit-reduction plan would be adopted this year were becoming more remote. Despite the increase in bond yields, major indexes of equity prices recorded sizable gains.

In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies declined slightly over the intermeeting period. The dollar fell appreciably during the initial portion of the period—before evidence of a more robust U.S. economy emerged—while data on the German money supply and the Japanese economy were suggesting upward revisions to expected interest rates abroad. In late February, emerging signs that the U.S. economy was generally stronger than expected and that economic conditions abroad were comparatively weaker than they had seemed earlier fostered a rebound in the value of the dollar.

Growth of the broader monetary aggregates strengthened considerably in February and early March following the decline in short-term interest rates in late 1995 and early 1996. The acceleration of M2 reflected a surge in demand deposits as well as larger inflows to retail money market mutual funds, whose yields tend to adjust with a lag to changes in short-term market interest rates. Larger inflows to institution-only money market funds contributed to M3's stronger performance. Growth of total domestic nonfinancial debt slowed somewhat in December and January, reflecting reduced federal government borrowing, but remained moderate on balance.

The staff forecast prepared for this meeting suggested that the pace of economic expansion would pick up over coming months after a sluggish fourth quarter. Other than a better performance over the first half of 1996 associated with a somewhat faster increase in final sales, this forecast differed little from that prepared for the previous meeting and indicated that the economy was expected to expand generally along its estimated potential. Consumer spending was projected to grow slightly more than disposable income; the favorable effect of higher equity prices on household wealth and the still-ample availability of credit were expected to outweigh persisting consumer concerns about job security and the effects of already high household debt burdens. Homebuilding activity was projected to decline a little in response to the recent backup in residential mortgage rates but to remain at a relatively high level. A less rapid pace of business investment in equipment and structures was expected in light of the decline over the past year in the rate of utilization of production capacity and the moderate growth projected for sales and profits. The external sector was expected to exert a small restraining influence on economic activity over the projection period. The persisting impasse in the federal budget negotiations suggested little further fiscal contraction in coming quarters. Given the outlook for economic activity, rates of utilization of labor and capital were not expected to change materially and inflation was projected to increase modestly.

In the Committee's discussion of current and prospective economic developments, members commented on the resiliency of the economy, which appeared to have strengthened appreciably after a period of subpar growth. The latter had been induced to a large extent by inventory adjustments whose effects were exacerbated temporarily by government shutdowns, unusually severe winter weather, and industrial strikes. The adjustment in inventory investment seemed to be nearing its completion, and some members observed that the settlement of the recent strike in the motor vehicle industry might well impart added impetus to the expansion over the nearer term. Considerable volatility could be expected in the short-run performance of the economy, but the members continued to view trend growth at a pace near the economy's potential as the most probable outcome. Many also commented that the risks to such a forecast appeared to have shifted from being predominantly on the downside earlier in the year to better balanced currently. Still, substantial uncertainties attended the economic outlook, and a number of members observed that an economic performance that differed considerably in either direction from their current forecasts might well materialize over the projection period. Regarding the outlook for inflation, members' assessments tended to center on expectations of little change in average consumer price inflation over the projection horizon.

The review of regional economic developments by the Federal Reserve Bank presidents pointed to moderate expansion in economic activity across much of the nation, though growth was described as modest in a few regions and relatively robust in some others. Business conditions appeared to have improved in a number of areas since early in the year, but as had been true previously, activity in various sectors of the economy remained uneven. Manufacturing of most durable goods other than motor vehicles and some defense industry products displayed considerable strength, while the production of many nondurable goods tended to lag. In agriculture, high feed costs and low market prices were depressing the cattle industry, while elevated grain prices were boosting the incomes of farmers not subject to the effects of locally adverse weather conditions.

The economy had displayed considerable resilience in the face of adjustments to production associated with efforts by many business firms to reduce inventories and a number of additional, albeit temporary, developments that had tended to retard the expansion in the latter part of 1995 and at the start of this year. Apparently, relatively low long-term interest rates and the related substantial appreciation in the value of stock and bond market holdings had been important factors helping to sustain spending in this period. In the context of continued underlying momentum in final demand and some decline in excess stocks of unsold motor vehicles stemming from the recently ended strike at a major domestic producer, inventories now seemed to be in better balance with sales and the economy to be better positioned to accommodate sustained expansion. Some members observed, however, that the recent increase in intermediate- and long-term interest rates would tend to blunt demand in interest-sensitive sectors of the economy. Moreover, stock market prices had risen to comparatively high levels in relation to earnings and interest rates and might be vulnerable to further weakness in the debt markets or to any tendency for business profit margins to erode.

In the course of their comments about developments in key sectors of the economy, members referred to recent indications, including anecdotal reports, of appreciable strengthening in retail sales that tended to support forecasts of sustained growth in consumer spending in coming quarters. In addition, surveys of consumer sentiment, which had been more favorable recently, and sharply increased household net worth were seen as positive factors in the outlook for consumer expenditures. On the negative side, some members observed that the rise in consumer indebtedness and the recent increase in interest rates would tend to damp consumer spending. Given these financial crosscurrents, it was suggested that growth in consumer spending might approximate that of disposable income over the forecast horizon.

The prospects for business capital spending remained a supportive element in the outlook for further economic expansion, but growth in such spending was expected to slow considerably from its rapid pace over the past few years. The ready availability and fairly low cost of business finance in equity and debt markets and the continuing commitment of business firms to modernizing their facilities to hold down costs in highly competitive markets would tend to support growth in business fixed investment. Profits and cash flows were expected to remain reasonably strong, though there were tentative signs of some softening in profit margins. On the other hand, the longevity of the current expansion had resulted in the addition of a good deal of production capacity in recent years. This development in conjunction with some decline in capacity utilization over the past several quarters pointed to less need for expansion in plant and equipment. The rise in outlays for computers and related products was likely to remain fairly robust in light of the continuing advances in technology and the marked downtrend in computer prices, but the growth of computer expenditures was projected to be well below the extraordinary pace of the past few years. The slowdown would reflect factors that were expected to damp the growth of overall business investment spending and a greater saturation of potential computer markets that might lead to more emphasis on replacement demand rather than the further expansion of capacity.

Housing activity generally was expected to be well maintained in coming quarters, though likely to moderate to some extent from current levels in lagged response to the rise that had occurred in mortgage interest rates. The response of housing expenditures to rate increases was uncertain, and a few members commented that the prospective slowing in housing construction could be fairly pronounced. For the nearer term, however, recent data were indicative of considerable underlying strength in housing markets, especially in light of the adverse effects of notably unfavorable weather conditions in many parts of the country this winter. Those data tended to be supported by anecdotal reports of significant improvement in housing markets in several regions over the course of recent months. Contributing to that performance, however, might be a temporary acceleration of purchases by homebuyers who anticipated further increases in mortgage interest rates. The latter were viewed, nonetheless, as still low in comparison with their average level over the past several years.

The outlook for fiscal policy remained uncertain, especially for future years. It was suggested that the stalemate between the Congress and the Administration on major spending and tax issues might not be resolved in coming months or indeed during the current session of the Congress. However, already legislated appropriations and current continuing resolutions still pointed to considerable restraint in federal spending this year. With regard to the external sector of the economy, projections of appreciable growth in exports tended to be supported by anecdotal comments of strong export demand for goods produced in various parts of the country, including some improvement in exports to Mexico. At the same time, imports might well expand somewhat more rapidly than exports if the domestic economy strengthened as projected this year from its reduced rate of growth in 1995.

The members did not differ greatly in their assessments of the most probable course of inflation. Their expectations ranged from essentially unchanged to slightly higher inflation in comparison with 1995. At the same time, members expressed somewhat differing views about possible deviations of inflation from their expectations. Those who emphasized the risks of higher-than-projected inflation tended to cite the potential for increasing wage and price pressures in an economy that already was operating at or close to its estimated capacity. Increases in labor costs had been unusually subdued in light of the relatively low unemployment nationwide and widespread anecdotal reports of labor shortages. In this view the rise in labor costs could well accelerate at some point, though not necessarily in the near term, with some feedthrough to prices. Other developments that generated some concern about the outlook for inflation included the rise in the costs of medical benefits in the fourth quarter, price pressures in the energy and food sectors of the economy, and the possibility that the recent rise in intermediate- and long-term interest rates might to some extent reflect worsening inflationary expectations. Other members saw only a limited risk of higher inflation, and a few indicated that they did not rule out some reduction in consumer price inflation from that experienced in 1995. In this view there was sufficient capacity in the economy to allow room for moderate growth of economic activity in line with their forecasts without fostering added inflation. Moreover, there was only scattered evidence of accelerating increases in worker compensation associated with labor shortages and little indication that possibly diminishing worries about job security would induce rising labor militancy. Some members also stressed the persistence of strong competition in numerous markets that tended to preclude or restrain raising prices.

In the Committee's discussion of policy for the intermeeting period ahead, all the members endorsed a proposal to maintain an unchanged degree of pressure in reserve markets. This policy preference was based on expectations of growth in business activity at a pace averaging in the vicinity of the economy's potential, a perception among the members that the risks to such an outlook were more balanced than earlier, and anticipations that under these circumstances inflation would remain constrained. The economy seemed to have adequate forward momentum and did not appear to require any further stimulus, whose implementation might contribute to inflationary pressures in the economy. Several members observed that robust growth in broad money for some months suggested that monetary policy had been supportive of sustained economic expansion. At the same time, information on the economy and prices did not seem to indicate developing inflation pressures that needed to be contained by tightening policy at this juncture. Indeed, some members commented that, judged from one perspective, financial conditions had tightened somewhat as a consequence of the recent rise in intermediate- and long-term interest rates, though it was difficult to disentangle the real and the inflation components of the rate increases. Nonetheless, a number of members noted that inflation was not expected to moderate further over the projection horizon and that it could move higher and the Committee would need to be particularly vigilant in guarding against such an outcome. Against this background, the members favored an unbiased instruction in the directive that did not prejudice possible intermeeting adjustments to policy in either direction.

At the conclusion of the Committee's discussion, all the members indicated a preference for a directive that called for maintaining the existing degree of pressure on reserve positions and that did not include a presumption about the likely direction of any adjustments to policy during the intermeeting period. Accordingly, in the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, the Committee decided that slightly greater or slightly lesser reserve restraint would be acceptable during the intermeeting period. The reserve conditions contemplated at this meeting were expected to be consistent with moderate growth in M2 and M3 over coming months.

At the conclusion of the meeting, the Federal Reserve Bank of New York was authorized and directed, until instructed otherwise by the Committee, to execute transactions in the System Account in accordance with the following domestic policy directive:

Many of the data for recent months reviewed at this meeting were influenced to an uncertain degree by unusually severe winter weather, industrial strikes, and U.S. government shutdowns. On balance, the expansion in economic activity appears to have picked up after slowing appreciably in late 1995. Nonfarm payroll employment surged in February, considerably more than offsetting a large drop in January, and the civilian unemployment rate fell to 5.5 percent. Manufacturing production increased sharply in February after a sizable decline in January. Growth of consumer spending, which had been sluggish earlier in the winter, spurted in February, paced by strong motor vehicle purchases. Housing starts rose in January and February. Orders and contracts point to continuing expansion of spending on business equipment and nonresidential structures. The nominal deficit on U.S. trade in goods and services narrowed substantially in the fourth quarter from its average rate in the third quarter. There has been no clear change in underlying inflation trends.

Changes in short-term market interest rates have been mixed while long-term rates have risen appreciably since the Committee meeting on January 30–31. In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies has declined slightly over the intermeeting period.

Growth of M2 and M3 has strengthened considerably in recent months, while expansion in total domestic nonfinancial debt has remained moderate on balance.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. In furtherance of these objectives, the Committee at its meeting in January established ranges for growth of M2 and M3 of 1 to 5 percent and 2 to 6 percent respectively, measured from the fourth quarter of 1995 to the fourth quarter of 1996. The monitoring range for growth of total domestic nonfinancial debt was set at 3 to 7 percent for the year. The behavior of the monetary aggregates will continue to be evaluated in the light of progress toward price level stability, movements in their velocities, and developments in the economy and financial markets.

In the implementation of policy for the immediate future, the Committee seeks to maintain the existing degree of pressure on reserve positions. In the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, slightly greater reserve restraint or slightly lesser reserve restraint would be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with moderate growth in M2 and M3 over coming months.

Votes for this action: Messrs. Greenspan, McDonough, Boehne, Jordan, Kelley, Lindsey, McTeer, Ms. Phillips, Mr. Stern, and Ms. Yellen. Votes against this action: None.

It was agreed that the next meeting of the Committee would be held on Tuesday, May 21, 1996.

The meeting adjourned at 10:35 a.m.

Donald L. Kohn
Secretary

Legal Developments

FINAL RULE—AMENDMENT TO REGULATION K

The Board of Governors is amending 12 C.F.R. Part 211, its Regulation K (International Banking Operations), regarding interstate banking operations of foreign banking organizations. The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 removed geographic restrictions on interstate banking by foreign banks effective September 29, 1995, and requires certain foreign banks without U.S. deposit-taking offices to select a home state for the first time. The final rule requires these foreign banks to select a home state by June 30, 1996, and removes outdated restrictions on certain mergers by U.S. bank subsidiaries of foreign banks outside the home state of the foreign bank. Obsolete and superseded provisions of Regulation K concerning home state selection also are deleted.

Effective May 9, 1996, 12 C.F.R. Part 211 is amended as follows:

Part 211—International Banking Operations (Regulation K)

1. The authority citation for Part 211 continues to read as follows:

Authority: 12 U.S.C. 221 *et seq.*, 1818, 1841 *et seq.*, 3101 *et seq.*, 3901 *et seq.*

2. In section 211.22, paragraph (a) is revised; paragraph (c) is removed; and paragraph (d) is redesignated as paragraph (c) to read as follows:

Section—211.22 Interstate banking operations of foreign banking organizations.

(a) *Determination of home state.* (1) A foreign bank (except a foreign bank to which paragraph (a)(2) of this section applies) that has any combination of domestic agencies or subsidiary commercial lending companies that were established before September 29, 1994, in more than one state and have been continuously operated shall select its home state from those states in which such offices or subsidiaries are located. A foreign bank shall do so by filing with the Board a declaration of home state by June 30, 1996. In the absence of such selection, the Board shall designate the home state for such foreign banks.

(2) A foreign bank that, as of September 29, 1994, had declared a home state or had a home state determined pursuant to the law and regulations in effect prior to that date shall have that state as its home state.

(3) A foreign bank that has any branches, agencies, subsidiary commercial lending companies, or subsidiary banks in one state, and has no such offices or subsidiaries in any other states, shall have as its home state the state in which such offices or subsidiaries are located.

ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT

Orders Issued Under Section 3 of the Bank Holding Company Act

Aspen Bancshares, Inc.
Aspen, Colorado

Order Approving Acquisition of a Bank Holding Company

Aspen Bancshares, Inc., Aspen, Colorado ("Aspen"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested Board approval under section 3(a)(3) of the BHC Act (12 U.S.C. § 1842(a)(3)) to acquire Val Cor Bancorporation, Inc. ("Val Cor"), and thereby indirectly acquire Valley National Bank of Cortez ("Valley National"), both of Cortez, Colorado.

Notice of the application, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 7518 (1996)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the BHC Act.

Aspen is the 16th largest depository institution in Colorado, controlling deposits of $262.8 million, representing less than 1 percent of total deposits in depository institutions in Colorado.[1] Val Cor is the 67th largest depository institution in the state, controlling deposits of $59.6 million, representing less than 1 percent of total deposits in depository institutions statewide. On consummation of the proposed transaction, Aspen would become the 15th largest commercial banking or thrift organization in Colorado, controlling deposits of $322.4 million, representing less than 1 percent of total deposits in depository institutions in the state.

1. Deposit data are as of June 30, 1995. In this context, depository institutions include commercial banks, savings banks, and savings associations.

Competitive Considerations

Aspen's subsidiary thrift institution, Centennial Savings Bank, Durango, Colorado ("Centennial"), and Val Cor's bank subsidiary, Valley National, compete directly in the Cortez, Colorado, banking market[2] ("Cortez banking market").[3] Valley National is the largest depository institution in the market, controlling deposits of $64.8 million, representing 25.9 percent of total deposits in depository institutions in the market ("market deposits").[4] Centennial is the fifth largest depository institution in the market, controlling deposits of $31.8 million, representing approximately 12.7 percent of market deposits. On consummation, Aspen would become the largest depository institution in the market, controlling total deposits of $96.6 million, representing 38.6 percent of total deposits in depository institutions in the market. The market, as measured by the Herfindahl–Hirschman Index ("HHI"), would become highly concentrated; and, under the Department of Justice merger guidelines, the level of change in market concentration raises concerns about the potential competitive effects of this proposal.[5]

The Board notes that the HHI levels are only guidelines that are used by the Board, the Department of Justice, and the other banking agencies to help identify cases in which a more detailed competitive analysis is appropriate to assure that the proposal would not have a significantly adverse effect on competition in any relevant market. A proposal that fails to pass the HHI market screen may nonetheless be approved because other information may indicate that the proposal would not have a significantly adverse effect on competition. In this case, the Department of Justice has reviewed the proposal and advised the Board that consummation of the proposal would not likely have any significantly adverse competitive effects in the Cortez banking market and any other relevant banking market.[6]

A number of factors indicate in this case that the market concentration as measured by the HHI tends to overstate the competitive effects of this proposal. For example, Centennial, which is a thrift institution, engages primarily in mortgage lending activities and engages only in a *de minimis* amount of commercial lending activity in the market. Centennial has maintained this focus even after its acquisition in 1993 by Aspen, a bank holding company.[7] Valley National, on the other hand, engages in only limited mortgage lending activities and has focused its activities on commercial lending.[8] Following consummation of the proposal, Centennial and Valley National will be operated as separate institutions, and each will retain its current management.[9]

Seven depository institution competitors, including four institutions in the town of Cortez, would remain in the Cortez banking market following consummation of this proposal. These seven competitors would continue to serve the relatively small population of the market. Three of these competitors would each have more than 15 percent of market deposits. In addition, the banking market has several characteristics that make it attractive for entry by an out-of-market firm. Its population has increased at a rate higher than the rate of increase in population statewide, and at a rate much higher than other rural areas in Colorado.[10] Banks in the market have a higher average return

2. The Board has long held that the product market for evaluating mergers and acquisitions of insured depository institutions is the cluster of products and services offered by the insured institutions, and the Supreme Court has emphasized that it is this cluster of products and services that, as a matter of trade reality, makes banking a distinct line of commerce. *See First Hawaiian, Inc.*, 79 *Federal Reserve Bulletin* 966, 966–68 (1993); *SouthTrust Corporation*, 78 *Federal Reserve Bulletin* 710 (1992); *United States v. Philadelphia National Bank*, 374 U.S. 321, 357 (1963).

3. The Board and the courts also have found that the relevant banking market for analyzing the competitive effect of a proposal must reflect commercial and banking realities and should consist of the local area where the banks involved offer their services and where local customers can practicably turn for alternatives. *See St. Joseph Valley Bank*, 68 *Federal Reserve Bulletin* 673, 674 (1982). The key question to be considered in making this selection "is not where the parties to the merger do business or even where they compete, but where, within the area of competitive overlap, the effect of the merger on competition will be direct and immediate." *United States v. Philadelphia National Bank*, 374 U.S. at 357; *United States v. Phillipsburg National Bank*, 399 U.S. 350, 364–65 (1969). The Board has considered Aspen's contention that the relevant banking market includes a five-county area described as the San Juan Basin Area ("Basin Area"), that includes Montezuma, Dolores, La Plata, San Juan, and Archuleta Counties. The Board believes that the appropriate market for analyzing the competitive effects of this proposal is the Cortez, Colorado, banking market, an area at the southwestern extreme of the state that is approximated by Montezuma and Dolores Counties. The Board bases this conclusion on an analysis of employment commuting data, traffic patterns, locations of deposits and loans, and interviews with local bankers and other officials conducted in 1995 by the staff of the Board and the Federal Reserve Bank of Kansas City ("Reserve Bank") as part of an on-site investigation of the area, as well as other facts of record that indicate that commuting, travel, and competition between the Cortez banking market and the other counties in the Basin Area is limited.

4. Market data are as of December 31, 1995.

5. The HHI would increase by 657 points to a level of 2367. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is above 1800 is considered highly concentrated. The Department of Justice has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by at least 200 points.

6. The Office of the Comptroller of the Currency also has not objected to the proposal.

7. As of December 31, 1995, Centennial reported only $49,000 in commercial loans, significantly less than 1 percent of the total commercial loans made in the market, while more than 90 percent of its total loans in the market were in the form of mortgages and other housing-related construction loans.

8. Valley National is the third largest commercial lender in the Cortez banking market, reporting commercial loans totalling $5 million, as of December 31, 1995. The bank accounted for approximately 22 percent of all commercial loans made in the banking market in 1995.

9. If Centennial's deposits were weighted at 50 percent, the increase in the HHI would be 374 points to 2185.

10. The population of the Cortez market grew by 13.5 percent from 1990 to 1995, and is projected to grow an additional 15.3 percent from 1995 to 1999. The average rate of growth for the entire state from

on average assets than banks average statewide.[11] Moreover, legal barriers for entry into the market will be significantly reduced as of January 1, 1997, when Colorado law would permit unlimited statewide *de novo* branching.[12]

Based on these and all of the other facts of record, the Board concludes that consummation of this proposal, on balance, is not likely to have a significantly adverse effect on competition or concentration of banking resources in any relevant banking market. In light of all the facts of record, the Board also concludes that the financial and managerial resources and the future prospects of Aspen and Val Cor and their respective subsidiaries are consistent with approval, as are the other supervisory factors the Board must consider under section 3 of the BHC Act. In addition, considerations relating to the convenience and needs of the communities to be served are consistent with approval of the application.

For these reasons, and in light of all the facts of record, the Board has determined that the application should be, and hereby is, approved. The Board's approval is specifically conditioned on Aspen's compliance with all commitments made in connection with the application. The commitments relied on by the Board in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and as such may be enforced in proceedings under applicable law.

The acquisition of Val Cor shall not be consummated before the fifteenth calendar day following the effective date of this order, unless such period is extended for good cause by the Board or the Reserve Bank, acting pursuant to delegated authority.

By order of the Board of Governors, effective May 31, 1996.

Voting for this action: Chairman Pro Tempore Greenspan and Governors Lindsey and Phillips. Voting against this action: Governors Kelley and Yellen.

WILLIAM W. WILES
Secretary of the Board

Dissenting Statement of Governors Kelley and Yellen

We believe that the proposed transaction by Aspen would have a significantly adverse effect on competition in the Cortez, Colorado, banking market.

This proposal involves the combination of the largest and the fifth largest insured depository institutions in the market. Together, these institutions would control over 38 percent of market deposits and would be more than twice the size of the next largest competitor. The HHI for this market would increase by over 650 points to above 2365. These measures confirm that the market would be highly concentrated following consummation of this proposal.

Aspen argues that its subsidiary thrift in this market does not compete with banks in the market. However, there is nothing to preclude Aspen from merging Centennial into one of its commercial subsidiary banks or from commencing commercial lending activities at the thrift in response to market demand. Centennial's transition to commercial lending by merger or otherwise would be particularly easy because it is owned by a banking organization that possesses the skills and business culture to provide a full range of commercial loan products. Thus, looking forward, we believe that the HHI is an appropriate indication of the likely market impact of this proposal. Even recognizing that Centennial does not offer small business and other commercial lending products to any significant degree and assuming that it will continue not to offer these products, Centennial and Valley National Bank of Cortez compete directly for insured deposits. If combined in the same organization, we believe that the resulting organization would dominate competition for this product.

Other factors do not, in our judgment, mitigate these potential anti-competitive effects. The Cortez banking market is a small market and is a market that the data indicate to us is not attractive to entry. There has in fact been no *de novo* entry into this market since 1979, and only Applicant has entered by acquisition since 1979. While Colorado will permit *de novo* intrastate branching beginning in 1997, the characteristics of this market, including its relatively small population and the current high ratio of banking offices to population, are likely to discourage rather than encourage new entry. Approval of this proposal would create a dominant competitor in the market that will also likely discourage further entry.

For these reasons, we believe that the considerations relating to the competitive effects of this proposal are not consistent with approval. Considerations relating to other factors do not lend sufficient weight to warrant approval of this proposal. Accordingly, we would deny this proposal.

May 31, 1996

Norwest Corporation
Minneapolis, Minnesota

Order Approving the Acquisition of a Bank Holding Company

Norwest Corporation, Minneapolis, Minnesota ("Norwest"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested Board approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire Union Texas Bancorporation, Inc. ("Union Texas"), and, indirectly, Union Texas's wholly owned subsidiary bank, Union National Bank of Texas ("Union Bank"), both of Laredo, Texas.

1990 to 1995 was 12.8 percent, and the projected rate from 1995 to 1999 is 11.7 percent.

11. For 1995, the average return on average assets for commercial banks in the Cortez market was 1.74 percent compared to a statewide average of 1.43 percent.

12. Under current Colorado law, banks are permitted to establish only one *de novo* branch or branch by merging with another bank, except in very limited circumstances. *See Colorado Revised Statutes* §§ 11-25-03(8)(a) and (b) (1995 Cum. Supp.).

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 8625 (1996)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

Norwest, with total consolidated assets of $72.1 billion, operates subsidiary banks in 16 states.[1] Norwest is the 13th largest commercial banking organization in the United States, controlling 1.9 percent of total United States banking assets, and is the ninth largest commercial banking organization in Texas, controlling approximately $2.3 billion in deposits, representing 1.6 percent of all deposits in commercial banking organizations in the state ("state deposits").[2] Norwest also engages in a number of permissible nonbanking activities nationwide. Union Texas, with total consolidated assets of $238 million, operates one subsidiary bank in Texas. Union Texas is the 64th largest commercial banking organization in Texas, controlling approximately $227 million in deposits, representing less than 1 percent of state deposits. After consummation of this proposal, Norwest would become the eighth largest commercial banking organization in Texas, controlling approximately $2.6 billion in deposits, representing 1.8 percent of state deposits.

Interstate Analysis

Section 3(d) of the BHC Act, as amended by section 101 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, allows the Board to approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of such bank holding company, if certain conditions are met. For purposes of the BHC Act, the home state of Norwest is Minnesota, and Norwest would acquire a bank in Texas.[3] The conditions for an interstate acquisition under section 3(d) are met in this case.[4] In view of all the facts of record, the Board is permitted to approve this proposal under section 3(d) of the BHC Act.

Competitive Considerations

The BHC Act prohibits the Board from approving an application under section 3 of the BHC Act if the proposal would result in a monopoly, or if the proposal would substantially lessen competition in any relevant market unless such anticompetitive effects are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Norwest and Union Texas each operates a subsidiary bank in the San Antonio, Texas, banking market.[5]

Norwest operates the fifth largest banking or thrift organization ("depository institution") in the San Antonio banking market, controlling deposits of approximately $826 million, representing 7.6 percent of total deposits in depository institutions in the market ("market deposits").[6] Union Texas operates the 35th largest depository institution in the market, controlling deposits of approximately $15.3 million, representing less than 1 percent of market deposits. On consummation of this proposal, Norwest would remain the fifth largest depository institution in the San Antonio banking market, controlling deposits of approximately $842 million, representing 7.7 percent of market deposits. The market would remain moderately concentrated, as measured by the Herfindahl–Hirschman Index ("HHI"),[7] and numerous competitors would remain in this market. Based on all the facts of record, the Board concludes that consummation of this proposal would not result in any significantly adverse effect on competition or concentration of banking resources in the San Antonio or any other relevant banking market.

1. Asset data are as of December 31, 1995.

2. State deposit data are as of June 30, 1995.

3. Pub. L. No. 103–328, 108 Stat. 2338 (1994). A bank holding company's home state is the state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

4. *See* 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A) and (B). Norwest is adequately capitalized and adequately managed. Union Texas's subsidiary bank has been in existence and has continuously operated for more than five years, as required under Texas law. In addition, on consummation of this proposal, Norwest and its affiliates would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States, and less than 20 percent of the total amount of deposits of insured depository institutions in Texas, as required by state law. The Texas banking commissioner has informally advised the Board that all criteria of state law are satisfied in this case.

5. The San Antonio banking market is approximated by Bexar, Comal, Guadalupe, Kendall, and Wilson Counties, all in Texas.

6. Market data are as of June 30, 1995. Market share data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50-percent weighted basis. *See, e.g., First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

7. On consummation of this proposal, the HHI would increase by 2 points to 1060. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is between 1000 and 1800 is considered moderately concentrated. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Justice Department has stated that the higher than normal threshold for an increase in the HHI when screening bank mergers and acquisitions for anticompetitive effects implicitly recognizes the competitive effects of limited-purpose lenders and other non-depository financial entities.

Other Factors under the BHC Act

The BHC Act also requires the Board to consider the financial and managerial resources and future prospects of the companies and banks involved, the convenience and needs of the community to be served, and certain other supervisory factors.

A. Supervisory Factors

The Board has carefully considered the financial and managerial resources and future prospects of Norwest, Union Texas, and their respective subsidiaries, as well as other supervisory factors in light of all the facts of record. These facts include supervisory reports of examination assessing the financial and managerial resources of the organizations and confidential financial information provided by Norwest. The Board notes that Norwest would contribute additional capital to Union Bank that would strengthen the bank's assets, earnings, and reserves. Based on these and all other facts of record, the Board concludes that all the supervisory factors under the BHC Act, including financial and managerial resources, weigh in favor of approving this proposal.

B. Convenience and Needs Factor

The Board has long held that consideration of the convenience and needs factor includes a review of the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). As provided in the CRA, the Board has evaluated this factor in light of examinations by the primary federal supervisor of the CRA performance records of the relevant institutions.

The Board also has carefully considered comments from Minnesota ACORN Fair Housing ("Protestant") contending that Norwest and Union Texas have not assisted in meeting the credit needs of low- and moderate-income areas or areas with predominately minority, particularly African-American and Hispanic, populations. Protestant supports its contentions with housing-related loan data filed by Norwest's nonbanking mortgage lending subsidiary, Norwest Mortgage, Inc., Des Moines, Iowa ("Norwest Mortgage"), under the Home Mortgage Disclosure Act ("HMDA") for a number of metropolitan areas,[8] and by Union Bank for the metropolitan areas of Laredo and San Antonio, both in Texas.[9]

An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed on-site evaluation of the institution's overall record of performance under the CRA by its primary federal supervisor.[10] In addition, the Board considers an institution's policies and practices for compliance with applicable fair lending laws. The Board also takes into account information on an institution's lending activities that assist in meeting the credit needs of low- and moderate-income neighborhoods, including programs and activities initiated since its most recent CRA performance examination.

Performance Examinations. All of Norwest's subsidiary banks, including the banks conducting banking activities in the six metropolitan areas discussed in Protestant's comments, received a CRA performance rating of "satisfactory" or "outstanding" in their most recent evaluation for CRA performance by their primary federal supervisor. In particular, Norwest banks received "outstanding" ratings from the Comptroller of the Currency ("OCC") in the metropolitan areas of Denver, Des Moines and Minneapolis/St. Paul, including Norwest's lead subsidiary bank, Norwest Bank Minnesota, National Association, Minneapolis, Minnesota ("Norwest Minnesota").[11] Norwest's subsidiary banks in the metropolitan areas of Phoenix, Albuquerque, and Lubbock were rated "satisfactory" by the OCC at their most recent CRA performance evaluations.[12] Union Bank also received a "satisfactory" rating from the OCC for CRA performance as of May 4, 1995.

Examiners performed a fair lending review of home purchase and home improvement loan files at these Norwest subsidiary banks. This review found that minority applicants were not denied credit on a prohibited basis at

8. Data for Norwest Mortgage cited by the Protestant are from the following metropolitan areas: Phoenix, Arizona; Denver, Colorado; Chicago, Illinois; Des Moines, Iowa; Minneapolis/St. Paul, Minnesota; Albuquerque, New Mexico; and Dallas, Houston, and Lubbock, all in Texas.

9. Protestant's comments included four complaints about individual transactions with Norwest subsidiaries. Those complaints have been referred to the appropriate federal banking supervisor of the Norwest institution involved for review and consideration. One individual also alleges employment discrimination by Norwest in the termination of her employment. Norwest is required under the regulations of the Department of Labor to file annual reports with the Equal Employment Opportunity Commission ("EEOC"), and the EEOC has jurisdiction for determining whether a company is in compliance with equal employment statutes. The Board has previously noted that its limited jurisdiction under the specific statutory factors set forth in the BHC Act does not authorize it to adjudicate disputes between a commenter and an applicant that arise under a statute administered and enforced by another agency. On the other hand, substantiated improper actions may be considered by the Board in light of all facts of record of an application under the factors in the BHC Act or in the context of the Board's general supervisory authority over its regulated banking organizations. *See Norwest Corporation*, 82 *Federal Reserve Bulletin* 580 (1996).

10. The Board notes that the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record and that reports of these examinations will be given great weight in the applications process. 54 *Federal Register* 13,742, 13,745 (1989).

11. The OCC also rated as "outstanding" Norwest Bank Colorado, National Association, Denver, Colorado (as of November 21, 1994) ("Norwest Colorado"); and Norwest Bank Iowa, National Association, Des Moines, Iowa (as of February 6, 1995) ("Norwest Iowa"). The OCC rated Norwest Minnesota as of June 28, 1994.

12. The OCC rated as "satisfactory" the performance of Norwest Bank Arizona, National Association, Phoenix, Arizona (as of December 16, 1994); Norwest Bank New Mexico, National Association, Albuquerque, New Mexico (as of May 23, 1995) ("Norwest New Mexico"); and Norwest Bank Texas, National Association, Lubbock, Texas (as of June 21, 1995) ("Norwest Texas").

any of the examined banks. Moreover, as part of Norwest's corporate fair lending policies and procedures, senior credit underwriters at Norwest's subsidiary banks perform a second review of all HMDA-reported loan applications that are initially declined to determine if they could be approved using alternative credit information sources. Norwest's corporate auditors perform a comparative review of selected loan files at Norwest subsidiary banks on a periodic basis to assess compliance with fair lending laws, and HMDA data are reviewed at least quarterly by senior management of the subsidiary banks and Norwest.

The OCC examinations found that the community delineations for all of Norwest's subsidiary banks in the metropolitan areas discussed by Protestant were generally reasonable and did not exclude any low- and moderate-income areas. The geographic distribution of credit extensions, applications, and denials also were considered reasonable. Examiners determined that the banks' ascertainment and marketing efforts were generally effective and in some cases commendable.[13]

Lending Activities. All Norwest subsidiary banks use Norwest's Community Marketing Initiative ("CMI"), an annual planning process that is designed to assess the needs of all segments of the communities served. Managing officers of each bank review demographic, economic, and geographic lending distribution data for the delineated community, including information gathered from community advisory panels and surveys. From this review, low- and moderate-income areas are specifically identified, and quantified goals for loan and deposit penetration, marketing, and other CRA-related efforts are adopted. The CMI program is approved annually by the board of directors, and progress under the CMI program is reviewed monthly by community advisory boards and quarterly by bank management and the board of directors.

Several lending programs to assist low- and moderate-income borrowers have been initiated as a result of the CMI program. For example, through this process Norwest developed and introduced its Community Home Ownership Program ("CHOP"), which offers low- and moderate-income first-time home buyers more flexible underwriting criteria, lower down payment requirements with no private mortgage insurance, credit counseling, and competitive rates without points or origination fees. In June 1993, Norwest Colorado introduced its Disability Community Home Ownership Program, which provides home purchase, home improvement, and van conversion loans at 1 percent below the bank's standard rate for conventional home purchase loans. In February 1994, Norwest New Mexico created a Small Business Credit Unit to simplify the application and approval process for small businesses seeking loans under $100,000. Norwest Iowa, in cooperation with local government and community groups, helped establish the Neighborhood Finance Corporation in 1990 to provide housing to low- and moderate-income households and has since committed to purchase $4.2 million of loans made by the organization and provide a portion of its operating funds. As a result of consultation with community groups and the implementation of recommendations through the CMI process, several Norwest subsidiary banks have increased their hiring of multilingual employees and use of multilingual advertising and brochures.

Norwest subsidiary banks also participate in several government supported programs and efforts of community organizations to provide housing to low- and moderate-income households. For example, Norwest Iowa, working with the Federal Home Loan Bank, the Iowa Housing Corporation, and private investors, provided $500,000 to develop five apartment buildings in Ottumwa, Iowa, for low-income persons with disabilities. Through Central City Lending, the bank made 53 loans totaling $1.4 million at reduced rates and with no closing fees to purchase and rehabilitate single family homes in central neighborhoods of Davenport, Iowa, and loaned an additional $4.9 million throughout Iowa to finance 20 low-income housing projects. In 1994, Norwest New Mexico loaned nearly $4 million to Santa Fe Community Housing Trust to purchase a 48-unit low-income housing development, and subsequently made 38 CHOP loans to low-income individuals to purchase units in the project. The bank also originated 727 VA or FHA home mortgage loans for $60.4 million during the period covered by its most recent CRA examination. Norwest Minnesota invested $5 million in the National Equity Fund, a national organization that supports local community development corporations, to fund investments in residential projects that qualify for federal low-income housing tax credits. An affiliate of the bank, Norwest Investment Services, Inc., Minneapolis, Minnesota, underwrote $9.1 million of housing revenue bonds to provide subsidized housing to low- income households in the Twin Cities area. During 1993, Norwest Colorado originated 440 CHOP loans for a total of $46.5 million, which constituted 47 percent of its total home purchase loan originations, and, during the first six months of 1994, the bank originated an additional 243 CHOP loans for a total of $12.4 million, which represented 44 percent of its total home purchase loan originations.[14]

13. Protestant criticizes the outreach efforts of Norwest Minnesota to the Hmong community of St. Paul, an Asian community of approximately 25,000 residents. Examiners found that Norwest Minnesota had demonstrated a strong commitment to ascertaining the credit needs of its community, including the use of focus groups among several minority communities, including Asians, ongoing contact with community groups, and the establishment of community advisory boards in several local markets. Examiners also noted that Norwest Minnesota effectively marketed its credit products and services to all segments of the community, including low- and moderate-income areas. The bank's marketing efforts include advertisements in community newspapers that focus on African-American, Hispanic, Asian, and Native American readers.

14. In addition, Norwest Mortgage participates in government programs such as the Federal Home Loan Bank's Affordable Housing Program, which provides grant funds for down payment and closing cost assistance, and Department of Housing and Urban Development's section 184 programs, which provides mortgages for the

The Board has carefully reviewed HMDA data from Norwest Mortgage cited to support Protestant's contentions.[15] These data show that in some respects, such as percentage of applications received from African-American and Hispanic applicants, Norwest's performance is comparable to or exceeds the performance of lenders in the aggregate in a substantial number of the metropolitan areas analyzed by Protestant. In other respects, however, the data show disparities in denial rates to African-American and Hispanic loan applicants as compared to white applicants.

The Board is concerned when the record of an institution indicates such disparities in lending, and believes that all banks are obligated to ensure that their lending practices are based on criteria that assure not only safe and sound lending, but also assure equal access to credit by creditworthy applicants regardless of race. The Board recognizes, however, that HMDA data alone provide an incomplete measure of an institution's lending in its community because these data cover only a few categories of housing-related lending and provide limited information about the covered loans.[16] HMDA data therefore have limitations that make the data an inadequate basis, absent other information, for concluding that an institution has engaged in illegal discrimination in lending.[17]

Record of Performance in Texas. Norwest has a satisfactory record of CRA performance in Texas. All of its 14 subsidiary Texas banks have received either an "outstanding" or "satisfactory" rating from their primary federal supervisor at their most recent examination for CRA performance. In the metropolitan areas discussed in Protestant's comments, Norwest Texas received a "satisfactory" rating as previously noted, and Norwest Bank Texas San Antonio, N.A., Texas ("Norwest San Antonio"), received a "satisfactory" rating for CRA performance from the OCC as of October 4, 1993.[18]

Examiners conducted a fair lending review of Norwest Texas, including a comparison of the loan files of all Hispanic applicants denied HMDA-reported loans in 1994 with the loan files of nonminority individuals whose applications were approved for loans. The examination found no evidence of discrimination or disparate treatment of Hispanic applicants or of practices intended to discourage individuals from applying for credit. The bank's policies, procedures, and training programs were found to be adequate to ensure that employees do not illegally discourage or pre-screen applicants.[19] Norwest Texas also performed a second review of all applications before denial to ensure that all applicants were treated fairly. Examiners also found that Norwest Texas solicited credit applications from residents of all segments of its community, including low- and moderate-income areas. The bank participated in a local television program that provided information to the Hispanic community concerning available banking products and services, employs Spanish speaking employees to pro-

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purchase of homes on Native American reservations. Norwest Mortgage also participates in the outreach and marketing efforts of other organizations, including the Neighborhood Reinvestment Corporation, the National Community Reinvestment Corporation, and the Urban League.

15. Nonbanking companies that are affiliated with depository institutions were not included by Congress in the provisions of the CRA, and the CRA by its terms only applies to insured depository institutions. 12 U.S.C. § 2902(2); *The Mitsui Bank, Limited*, 76 *Federal Reserve Bulletin* 381 (1990). However, insured depository institutions may have the lending activities of nonbanking affiliates in their communities taken into account as part of their CRA performance record. In this case, Norwest provides conventional mortgage loans primarily through Norwest Mortgage in the communities served by Norwest depository institutions, and the loans made by Norwest Mortgage have been considered by the primary federal supervisory agencies of the Norwest banks in their CRA performance examinations. Accordingly, the Board has considered the HMDA data of Norwest Mortgage on a consolidated basis with data from Norwest's subsidiary banks in the metropolitan areas discussed by Protestant.

16. For example, these data do not provide a basis for an independent assessment of whether an applicant who was denied credit was in fact creditworthy. Thus, credit history problems and excessive debt levels relative to income—reasons most frequently cited for a credit denial—are not available from the HMDA data.

17. Protestant requests that the Board conduct an on-site examination of Norwest Mortgage in light of its contentions relating to Norwest Mortgage's HMDA data. Protestant also alleges on the basis of these data that Norwest Mortgage may "steer" minority borrowers to less desirable government-sponsored mortgage loan programs in the Lubbock market. The Board notes that advising applicants of different loan programs, including government-sponsored lending programs, is not illegal as long as this advice is not provided on a basis prohibited by law, such as race or national origin. Norwest denies that its lending activities violate fair lending laws and states that the type and size of the loans made by Norwest Mortgage to minorities in the Lubbock market reflect loan demand by these borrowers. In particular, Norwest maintains that government-sponsored mortgage loan programs present several advantages, including lower interest rates and down payment requirements, for borrowers whose overall financial condition may not meet the underwriting criteria for conventional financing. Moreover, the record indicates that Norwest has in place procedures for compliance with fair lending laws that extend throughout the mortgage operations of Norwest and include fair lending training of all employees who have contact with customers, a second review of all applications denied on initial review, and a quarterly analysis of HMDA data in all markets. Other Norwest divisions, such as Norwest Audit Services, conduct comparable analyses of selected loan files. *See Norwest Corporation*, 82 *Federal Reserve Bulletin* ____ (1996) (Order dated May 6, 1996). Based on all the facts of record, and for the reasons discussed above, the Board has concluded that action on this application should not be delayed in order to conduct a special examination of Norwest Mortgage.

18. Norwest acquired Norwest San Antonio in August 1995, and did not operate a bank in San Antonio before this acquisition. Norwest San Antonio has not been examined for CRA performance since its acquisition by Norwest.

19. Protestant criticizes Norwest Texas for the large percentage of its HMDA-reported loans to Hispanics that were for home improvements rather than for home purchases. Norwest replied that Norwest banks typically do not originate conventional home purchase loans, which are provided by Norwest Mortgage. The Board notes that the CRA does not require a bank to use specific lending products or services to meet the credit needs of its community. Rather, the Board has recognized the importance of allowing banks to focus their lending efforts on particular community needs in meeting their responsibilities under the CRA. *See, e.g., Dominion Bancshares Corporation*, 72 *Federal Reserve Bulletin* 787 (1986); *C&S/Sovran Corporation/Avantor Financial Corporation*, 76 *Federal Reserve Bulletin* 779 (1990).

vide translations for customers, and uses Spanish language home mortgage counseling books from the Federal National Mortgage Association.

Norwest Texas, and Norwest's other subsidiary banks in Texas, employ Norwest's annual CMI planning process. Under the CMI, Norwest Texas has established a Community Advisory Board ("CAB"), composed of persons with interests reflecting a cross section of Lubbock and San Angelo, Texas, to assist in ascertaining credit needs, establishing products and programs to address those needs, and assessing the effectiveness of the bank's programs in penetrating all segments of the community. Based on the results of the CAB program and demographic data, Norwest Texas's management and its board of directors develop formal written plans for each delineated community. As part of this program, the bank makes loans available under Norwest's CHOP initiative for low- and moderate-income buyers purchasing their first home.[20] The bank also committed $2 million in May 1995 for new home construction in Chatman Hill, a low- and moderate-income area.

In addition to programs developed under CMI, Norwest Texas committed $25,000 to the Community Housing Resources Board to provide down payment and closing cost assistance for home loan applicants and to provide leverage for the program's grant application to the City of Lubbock. Norwest Texas also has committed funds to support the rehabilitation of small businesses in downtown Lubbock and the relocation of businesses displaced by local freeway construction.

As noted, Union Bank received a "satisfactory" CRA performance rating at its most recent examination by the OCC. The examination of Union Bank also found no evidence of discrimination or other illegal credit practices or practices that would discourage applications for credit, and found that Union Bank's policies, procedures, and training programs adequately addressed compliance with fair lending laws.[21] Moreover, Norwest's CRA-related policies and programs would be implemented at Union Bank on consummation of this proposal.[22]

Conclusion on Convenience and Needs Factor. As discussed above, the Board has carefully reviewed the relevant CRA examination information, the programs implemented by the relevant institutions, the policies in place to ensure fair lending, relevant HMDA and other lending data, comments and concerns raised by Protestants, and other facts of record in its consideration of the effect of this transaction on the convenience and needs of the community. Based on this review, the Board concludes that convenience and needs considerations, including Norwest's record of performance and its plans for operating Union Bank, are consistent with approval of this application.[23]

Conclusion

Based on the foregoing and all other facts of record, including all the commitments made by Norwest in connection with this proposal, the Board has determined that the application should be, and hereby is, approved.[24] The Board's approval is expressly conditioned on compliance

20. This program was introduced in June 1994. As of the date of the CRA examination in June 1995, Norwest Texas had committed $10 million to the program and had funded 27 loans for $782,000.

21. Examiners noted technical fair lending law violations that were not considered to affect the substance of the bank's credit granting process.

22. Examiners questioned the lack of sophisticated information management systems at Union Bank to geocode lending information. Norwest would implement its information management systems at Union Bank on consummation of this proposal.

23. Protestant also maintains that the monthly fee charged for Norwest's Instant Cash and Check ATM card and for providing cancelled checks with monthly account statements have a disproportionate impact on low- and moderate-income and senior citizens. In addition, Protestant contends that Norwest Minnesota charges excessive fees for checks returned for nonsufficient funds ("NSF checks") and does not make overdraft protection readily available, thereby discouraging individuals with lower incomes and senior citizens, who may be more likely to write NSF checks, from maintaining bank accounts. These comments, however, provide an incomplete picture. The Instant Cash and Check ATM card is a specialized ATM card that permits a customer to purchase goods from any merchant accepting a VISA credit card. Norwest also offers the Instant Cash ATM card for transactions at a Norwest ATM for no fee in most states and a nominal fee in some markets. In addition, Norwest offers special checking accounts with no minimum deposit or fees, and has offered customers the free option of having a printed statement that displays reduced photocopies of 15 checks on a single page. Overdraft protection is also offered to all Norwest checking account customers based on underwriting criteria similar to that used for other unsecured extensions of credit.

Moreover, while the Board has recognized that banks help serve the banking needs of their communities by making available basic banking services at a nominal or no charge, the CRA does not require that banks limit the fees charged for services. The record indicates that Norwest has an established record of providing a full range of banking services in its delineated communities, included substantial lending services, and offers access to a full range of retail banking services through various accounts. The record does not support the conclusion that the fees charged by Norwest for checking accounts or other services are based in any way on a factor prohibited by law or that the manner of disclosing these fees violates applicable regulations, as alleged by Protestant.

24. Protestant requested that the Board hold a public hearing or public meeting to permit its members and other members of the public to ask questions directly of Norwest and Union Texas. Section 3(b) of the BHC Act does not require the Board to hold a public hearing or meeting on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. In this case, neither the OCC nor any appropriate state supervisory authority has recommended denial.

Under the Board's rules, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d). The Board has carefully considered Protestant's request in light of all the facts of record. Protestant has had ample opportunity to submit its views and has, in fact, submitted substantial materials that have been considered by the Board in acting on the application. Protestant does not indicate what, if any, additional views would be expressed at a public hearing or meeting, or why its written submission does not adequately present the views of its members. Based on all the facts of record, the Board has determined that public or private hearings or meetings are not necessary to clarify the factual record or otherwise warranted in this case, and, accordingly, the request for public hearings or meetings on the applications are denied.

by Norwest with all the commitments made in connection with this proposal and with the conditions referred to in this order. For purposes of this action, the commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing and, as such, may be enforced in proceedings under applicable law.

This proposal shall not be consummated before the fifteenth calendar day following the effective date of this order or later than three months following the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Minneapolis, acting pursuant to delegated authority.

By order of the Board of Governors, effective May 29, 1996.

Voting for this action: Chairman Pro Tempore Greenspan and Governors Kelley, Lindsey, Phillips, and Yellen.

WILLIAM W. WILES
Secretary of the Board

Orders Issued Under Section 4 of the Bank Holding Company Act

BNCCORP, INC.
Bismarck, North Dakota

Order Approving a Notice to Engage in Certain Management Consulting and Commercial Finance Activities

BNCCORP, INC., Bismarck, North Dakota ("BNC"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for Board approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of Regulation Y (12 C.F.R. 225.23) to acquire substantially all the assets of Cambridge Bank Professionals, LLC, St. Cloud, Minnesota ("Cambridge"), through a newly formed and wholly owned subsidiary, BNC Financial Corporation, St. Cloud, Minnesota ("BNC Financial"). Cambridge proposes to provide management consulting services to nonaffiliated financial institutions as permitted by Regulation Y. In addition, BNC proposes that BNC Financial engage *de novo* in commercial finance activities.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 10,581 and 15,945 (1996)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

BNC, with $240.4 million in total consolidated assets, controls bank subsidiaries in North Dakota and Minnesota.[1] BNC also engages directly and through subsidiaries in a variety of permissible nonbanking activities.

Section 4(c)(8) of the BHC Act provides that a bank holding company may engage, with Board approval, in any activity that the Board determines to be "so closely related to banking or managing or controlling banks as to be a proper incident thereto." The Board previously has determined by regulation that engaging in commercial finance and providing management consulting services to unaffiliated banks and non-bank depository institutions are activities that are closely related to banking and permissible for bank holding companies under section 4(c)(8) of the BHC Act.[2] BNC has committed that BNC Financial will conduct these activities in accordance with the limitations imposed by the Board's regulations.

In connection with its commercial finance activities, BNC Financial proposes to acquire debt at a discount from its stated principal amount, including bank loans or other debt in default at the time of acquisition. In some cases, BNC Financial would take an active role in restructuring the defaulted debt, including participating on creditors' committees. In other cases, BNC Financial would sell the debt and related collateral to independent third parties shortly after acquisition.

The Board previously has determined by order that the acquisition of debt in default is an activity that is closely related to banking.[3] BNC has committed to engage in this activity subject to the limitations and conditions relied upon by the Board in *Norwest*. In particular, BNC Financial will divest any shares or assets securing debt in default within the time period set out for the divestiture of shares acquired in satisfaction of a debt-previously-contracted ("DPC") in the BHC Act unless such shares or assets are a permissible investment for a bank holding company.[4] BNC has stated that BNC Financial will not purchase equity of obligors of criticized debt acquired by BNC Financial (other than equity that may be collateral for such debt) and will stand only in the position of a creditor. BNC also has committed that BNC Financial will not acquire criticized assets or defaulted debt from its affiliated banks, and will not acquire debt in default that is secured by shares of banks or bank holding companies.

In order to approve this notice, the Board must consider whether the activities proposed "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue con-

1. Asset data are as of December 31, 1995.

2. 12 C.F.R. 225.25(b)(1) and (11). Neither BNC nor its subsidiaries would own or control, directly or indirectly, any equity securities in institutions to which BNC Financial provides management consulting services.

3. *Norwest Corporation*, 81 *Federal Reserve Bulletin* 1128 (1995) ("*Norwest*").

4. Under the BHC Act, a bank holding company must divest any shares or assets acquired in satisfaction of DPC within two years of the date that the shares or assets were acquired. *See* 12 U.S.C. § 1843(c)(2); 12 C.F.R. 225.22(c)(1). For this purpose, BNC has committed that it will consider shares or assets acquired in satisfaction of defaulted debt to have been acquired on the date that the debt is acquired. BNC also may apply for three one-year extensions to the divestiture period. *See* 12 C.F.R. 225.22(c)(1).

centration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices."[5] As part of its evaluation of these factors, the Board considers the financial condition and managerial resources of the notificant and its subsidiaries and the effect of the proposed transaction on these resources.[6] Based on all the facts of the record, including relevant reports of examination, the Board has concluded that financial and managerial considerations are consistent with approval of this proposal.

The Board expects that the proposal that BNC Financial engage *de novo* in commercial finance activities would result in greater competition in the market for these services and an increase in funding available to lenders as credit is purchased by BNC Financial. The Board also expects that the proposed management consulting activities would produce efficiencies and economies of scale for BNC and would thereby permit BNC to provide more effective consulting services to financial institutions. In sum, the proposal should result in greater convenience for BNC's customers and in the availability of a wider range of services in the marketplace.

To address any potential adverse impact from its performance of the proposed activities, BNC has committed to conduct the activities pursuant to conditions the Board previously has found satisfactory to mitigate potential adverse effects.[7] In addition, there is no evidence in the record to indicate that the acquisition of Cambridge and the conduct of the proposed activities would result in any undue concentration of resources or decreased or unfair competition, because the activities involve a market with many competitors and no significant barriers to entry. Accordingly, the Board has concluded that the performance of the proposed activities by BNC Financial can reasonably be expected to produce public benefits that outweigh possible adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Based on the foregoing and all the facts of record, the Board has determined that the notice should be, and hereby is, approved. Approval of this notice is specifically conditioned on compliance by BNC with the commitments made in connection with this notice. The Board's determination also is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(b) (12 C.F.R. 225.27 and 225.23(b)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders thereunder. For purposes of this transaction, the commitments and conditions to which BNC has agreed shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

5. 12 U.S.C. § 1843(c)(8).

6. *See* 12 C.F.R. 225.24.

7. *See Norwest Order* at 1129, n.12.

These activities shall not be commenced later than three months after the effective date of this order, unless such period is extended for good cause by the Board or, pursuant to delegated authority, by the Federal Reserve Bank of Minneapolis.

By order of the Board of Governors, effective May 1, 1996.

Voting for this action: Chairman Pro Tempore Greenspan and Governors Kelley, Phillips, and Yellen. Absent and not voting: Governor Lindsey.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Cardinal Bancshares, Inc.
Lexington, Kentucky

Order Approving a Notice to Engage in Certain Data Processing Activities

Cardinal Bancshares, Inc., Lexington, Kentucky ("Cardinal"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23), for its wholly owned thrift subsidiary, Security First Network Bank, Pineville, Kentucky ("SFNB"), to acquire Five Paces Software, Inc., Atlanta, Georgia ("Five Paces"), and thereby engage nationwide in data processing activities related to providing banking and financial services over the Internet.[1] SFNB proposes to acquire all the voting shares of Five Paces.[2]

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 39,739 (1995)). The time for filing comments has expired, and the Board has considered the

1. SFNB received approval from the Office of Thrift Supervision ("OTS") of a proposal to provide electronic banking services to its customers over the Internet. *See* Office of Thrift Supervision, Order No. 95–88 (May 8, 1995). The Board believes that the provision of computer banking services by SFNB to its customers over the Internet in accordance with the authority granted by the OTS, and as specifically described in this proposal, is consistent with Cardinal's existing authority under the BHC Act and Regulation Y to operate a savings association. *See* 12 C.F.R. 225.25(b)(9). SFNB also operates as a traditional thrift institution at its home office in Pineville, Kentucky.

2. SFNB will acquire Five Paces through the merger of Five Paces with and into SFNB's wholly owned subsidiary, Equitable Service Corporation, Pineville, Kentucky, which thereafter will use Five Paces's name. SFNB has committed to increase the number of members of the board of directors of Five Paces to ensure that SFNB will control the election of a majority of that board. The OTS has approved the acquisition of Five Paces by SFNB. *See* Letter dated May 17, 1996, from Ronald N. Karr, Regional Director, OTS, to Stuart G. Stein, Esq. Five Paces, which is currently owned by various stockholders and employees of SecureWare, Inc., Atlanta, Georgia ("SecureWare"), developed the software used by SFNB to offer its Internet banking services. At present, SFNB is the only institution using software developed by Five Paces to permit the execution of traditional banking transactions over the Internet.

proposal and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

Cardinal, with approximately $675 million in total consolidated assets, is the 16th largest commercial banking organization in Kentucky, controlling deposits of approximately $570.7 million.[3] Cardinal controls two subsidiary banks and two thrifts in Kentucky.

Description of Proposed Activities

Five Paces would provide data processing and data transmission services to unaffiliated financial institutions to assist these institutions in offering banking and financial services to their customers over the Internet.[4] Five Paces engages in the design and development of computer-based delivery systems for banking services that permit customers of any financial institution to conduct banking transactions with, and purchase banking products and services from, the institution over the Internet.[5] Five Paces also provides marketing and technical support (including customization and installation services). Five Paces also expects to develop additional data processing and transmission services that would allow customers of financial institutions to obtain electronic access to their accounts through alternative telecommunications channels, such as computer modems connected to public telephone lines.

Closely Related to Banking Analysis

Section 4(c)(8) of the BHC Act provides that a bank holding company may, with Board approval, engage in any activity that the Board determines to be "so closely related to banking or managing or controlling banks as to be a proper incident thereto."[6] The Board has determined that certain data processing activities are closely related to banking and, therefore, permissible for bank holding companies under section 4(c)(8) of the BHC Act. In particular, section 225.25(b)(7) of Regulation Y permits bank holding companies to provide data processing and transmission services, facilities (including software), data bases, or access to such services, facilities, or data bases by any technological means, as long as the data to be processed or furnished are "financial, banking, or economic" in nature.[7] Regulation Y also provides that bank holding companies may engage in incidental activities that are necessary to carry on an activity that is closely related to banking.[8]

All of Five Paces's data processing and transmission activities are provided in connection with transactions in accounts maintained by a financial institution. The data involve the type of "financial, banking, or economic" information contemplated by Regulation Y.[9] Under Regulation Y, a bank holding company may provide permissible data processing and transmission services by any technological means. The Board previously has concluded that the development, production, and sale of software that allows a customer to conduct banking transactions using personal computers is closely related to banking and encompassed within the activities permissible under the Board's data processing regulation.[10] Thus, it is within the scope of Regulation Y for a bank holding company to design, develop, and market products to process and transmit financial, banking, or economic data through the Internet between customers and financial institutions. Based on these and all the facts of record, the Board concludes that the activities proposed by Five Paces are permissible data processing and transmission services and are closely related to banking within the meaning of the BHC Act.

Proper Incident to Banking Analysis

In order to approve this proposal, the Board also must determine that the proposed activities are a proper incident to banking, that is, that the proposal "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, or unsound banking practices."[11]

As part of its review of these factors, the Board considers the financial and managerial resources of the notificant, its subsidiaries, and the company to be acquired, and the effect the transaction would have on those resources.[12] Based on all the facts of record, the Board concludes that financial and managerial considerations are consistent with approval of this notice.[13] There is no evidence in the record

3. Asset data are as of March 31, 1996. Deposit data are as of December 31, 1995.

4. For purposes of this order, a financial institution means a bank, a bank holding company, a thrift institution, a thrift holding company, and any subsidiary of any of these companies.

5. These services include opening checking, money market and certificate of deposit accounts; transferring funds between accounts; viewing and reconciling checking account registers; and paying bills.

6. 12 U.S.C. § 1843(c)(8).

7. 12 C.F.R. 225.25(b)(7). Regulation Y requires that data processing services be provided pursuant to a written agreement, and places certain limitations on the facilities and hardware provided with the data processing services. In particular, the facilities must be designed, marketed, and operated for the processing and transmission of financial, banking, or economic data; hardware must be provided only in conjunction with permissible software; and general purpose hardware must not constitute more than 30 percent of the cost of any packaged offering. *Id.* Five Paces has committed to comply with these limitations.

8. *See* 12 C.F.R. 225.21(a)(2).

9. Prior to commencing any new activity not described in the notice, Five Paces must consult with the Federal Reserve System in order to ensure that the activity will satisfy the criteria set forth in the BHC Act and Regulation Y, and to give the Federal Reserve System an opportunity to consider whether a separate notice would be required.

10. *See, e.g., Citicorp,* 72 *Federal Reserve Bulletin* 497 (1986); and *The Royal Bank of Canada,* 82 *Federal Reserve Bulletin* 363 (1996).

11. 12 U.S.C. § 1843(c)(8).

12. *See* 12 C.F.R. 225.24. *See also The Fuji Bank, Limited,* 75 *Federal Reserve Bulletin* 94 (1989); *Bayerische Vereinsbank AG,* 73 *Federal Reserve Bulletin* 155 (1987).

13. In connection with the acquisition of Five Paces, Cardinal proposes to dividend ownership of SFNB to Cardinal's shareholders. A number of Cardinal's management officials will continue to serve as

to indicate that this proposal would produce any other significant adverse effects, such as decreased or unfair competition, undue concentration of resources, or conflicts of interests.[14]

The Board has carefully considered the possibility that, by helping to make banking services available over the Internet, which is a non-proprietary computer network accessible by users worldwide, the activities of Five Paces could expose financial institutions, their customers, information, and transactions to electronic interception, interference, or fraud. The software developed by Five Paces uses cryptography to attempt to maintain the privacy of transactions, and various security measures designed to protect the underlying data.

The Board recognizes that neither the software developed by Five Paces nor any other software product or security system can provide absolute protection against these risks. The nature of these risks is not different, however, from those to which more traditional banking operations are exposed in other forms. The Board also expects banking organizations considering whether to provide services over the Internet to analyze carefully the associated risks, and to evaluate carefully whether those risks are consistent with their policies relating to the security of customer information and other data.[15] The Board believes that such analyses and evaluations would mitigate the risk that conducting banking transactions over the Internet would result in unsound banking practices.[16]

The Board expects that the acquisition of Five Paces by SFNB would enhance consumer convenience by expanding the availability of electronic banking services and by making those services available in new ways. In particular, customers would be able to conduct banking and financial transactions using personal computers without visiting a bank branch and without the bank establishing a separate proprietary computer network. The affiliation of Five Paces with financial institutions also would allow Five Paces to draw on the expertise of financial institutions in developing products and services that would best meet the needs of financial institutions. In addition, the proposed transaction and resulting capital infusion would enable Five Paces to develop additional products and services, which would benefit potential customers and increase competition.

Based on all the facts of record, the Board has determined that the balance of the public interest factors it is required to consider under the proper incident to banking standard of section 4(c)(8) of the BHC Act is favorable and consistent with approval of this notice.

Conclusion

Based on all the facts of record, the Board has determined that this proposal should be, and hereby is, approved. The Board's approval is specifically conditioned on compliance with the commitments made in connection with this notice and with the conditions referred to in this order. The Board's determination also is subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(g)(3) (12 C.F.R. 225.7 and 225.23(g)(3)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with and to prevent evasion of the provisions of the BHC Act and the Board's regulations and orders issued thereunder. For purposes of this action, these conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

This transaction shall not be consummated later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Cleveland, acting pursuant to delegated authority.

By order of the Board of Governors, effective May 21, 1996.

Voting for this action: Chairman Pro Tempore Greenspan and Governors Kelley, Phillips, and Yellen. Absent and not voting: Governor Lindsey.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

directors and officers of SFNB and hold a substantial amount of SFNB voting shares. Cardinal has submitted a plan that, within 120 days of the spin-off, would eliminate all management and director interlocks between Cardinal and SFNB, raise additional capital for SFNB, and reduce the overlapping ownership between Cardinal and SFNB. Upon fulfillment of this plan, Cardinal would no longer be deemed to control SFNB for purposes of the BHC Act. *See* 12 U.S.C. § 1841(g)(3); 12 C.F.R. 225.32 and 225.139.

14. Cardinal has committed that Five Paces will not use or disclose to any person any confidential information concerning financial institution clients of Five Paces or customers of these financial institutions without the express consent of the client. The Board also notes that SecureWare is an "affiliate" of SFNB within the meaning of sections 23A and 23B of the Federal Reserve Act, and, therefore, that transactions between SecureWare and SFNB or Five Paces would be subject to the limitations established by those statutes.

15. The Board also expects financial institutions, as part of this evaluation, to implement any modifications to their information security procedures and controls that appear to be necessary or appropriate in light of the risks associated with Internet-based services.

16. Cardinal, SFNB, and Five Paces have committed that they will not represent that the Board's approval of this notice constitutes an endorsement of Five Paces's products or services by the Board, the Federal Reserve System, or any Federal Reserve Bank. Cardinal, SFNB, and Five Paces will not indicate in any of their marketing efforts or materials, either oral or written, that the Federal Reserve System or any part thereof assures or has approved or endorsed the security, functionality, or effectiveness of products or services offered by Five Paces.

Dresdner Bank AG
Frankfurt, Germany

Order Approving Acquisition of Nonbanking Companies

Dresdner Bank AG, Frankfurt, Germany ("Notificant"), a foreign banking organization subject to the provisions of the Bank Holding Company Act ("BHC Act"), has requested Board approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) to acquire all the voting interests in RCM Capital Management, California Limited Partnership ("RCM Management"), and thereby engage in providing investment and financial advisory services under section 225.25(b)(4) of Regulation Y (12 C.F.R. 225.25(b)(4)), and RCM Capital Trust Company ("RCM Trust"), both of San Francisco, California, and thereby engage in performing functions or activities that may be performed by a trust company under section 225.25(b)(3) of Regulation Y (12 C.F.R. 225.25(b)(3)).[1] Notificant also proposes to engage through RCM Management in providing administrative services to closed-end investment companies and open- end investment companies ("mutual funds"), including mutual funds that are sold primarily to customers of RCM Management or Notificant ("proprietary mutual funds").[2]

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 7004 (1996)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

Notificant, with total consolidated assets of approximately $338 billion,[3] operates branches in New York, New York, and Chicago, Illinois, and an agency in Los Angeles, California.[4] In addition to these banking operations, Notificant owns several nonbanking subsidiaries in the United States, including Dresdner Securities (USA) Inc., New York, New York ("DSI"), and Oeschle International Advisors, LP, Boston, Massachusetts, both of which engage in investment advisory activities in the United States. RCM Management, with total assets of $45.1 million, provides investment advice to corporations, foundations, pension funds, high-net-worth individuals and investment companies.[5] RCM Trust, with total assets of $1.8 million, is a limited purpose trust company organized under the laws of California.

RCM Management is an investment adviser registered with the Securities and Exchange Commission ("SEC") under the Investment Advisers Act of 1940 (15 U.S.C. § 80b-1 *et seq.*). Accordingly, RCM Management is subject to the recordkeeping and reporting obligations, fiduciary standards, and other requirements of the Investment Advisers Act and the SEC.

As noted above, the Board previously has determined by regulation that the proposed investment advisory activities of RCM Management and the proposed trust activities of RCM Trust are closely related to banking for purposes of the BHC Act.[6] Notificant has agreed to conduct these activities in accordance with the limitations set forth in Regulation Y.

Notificant also has requested Board approval to provide administrative services to closed-end funds and mutual funds, including proprietary mutual funds. The administrative services that RCM Management would provide include computing the fund's performance data, coordinating communications and activities between the investment adviser and other service providers, accounting and recordkeeping, providing office facilities and clerical support for the fund, preparing and filing tax returns and regulatory reports for the fund, and providing telephone shareholder services through a toll-free number.[7] The Board previously has determined that these activities are closely related to banking.[8] The Board also has determined that, subject to the prudential and other limitations established by the Board in prior orders, Notificant's proposed administration activities for mutual funds are not prohibited by the Glass–Steagall Act (12 U.S.C. § § 221a and 377).[9] Notificant has

1. Notificant would acquire RCM Management and RCM Trust through a wholly owned limited liability company, RCM Capital Management L.L.C. ("RCM Capital"). After consummation of the proposal, RCM Management would be dissolved and succeeded by RCM Capital and RCM Trust would become a wholly owned subsidiary of RCM Capital. For purposes of this order, "RCM Management" refers to RCM Management and RCM Capital, as successor to RCM Management.

2. A list of the proposed administrative services is included in the Appendix.

3. All asset data are as of December 31, 1995, and use exchange rates then in effect.

4. Notificant's wholly owned subsidiary, Deutsch-Suedamerikanische Bank AG, Hamburg, Germany, also operates an agency in Miami, Florida.

5. RCM Management had approximately $26 billion in assets under management as of December 31, 1995.

6. *See* 12 C.F.R. 225.25(b)(3), (b)(4). The Board has by regulation authorized bank holding companies to sponsor, organize, and manage closed-end investment companies. *See id.* at 225.25(b)(4)(ii). A closed-end investment company that is controlled by a bank holding company must conform its activities to the requirements of section 4 of the BHC Act. Accordingly, Notificant has committed that, if it controls any closed-end fund, it will limit such fund's investments to less than 5 percent of the voting shares of any issuer.

7. Notificant has committed that telephone service operators will not solicit callers to purchase shares in particular mutual funds and that substantive questions about mutual fund performance or strategies will be referred to specific mutual fund distributors or investment advisors. *See The Chase Manhattan Corporation*, 81 *Federal Reserve Bulletin* 883 (1995) ("*Chase*").

8. *See Chase; Mellon Bank Corporation*, 79 *Federal Reserve Bulletin* 626 (1993) ("*Mellon*").

9. *See Barclays PLC*, 82 *Federal Reserve Bulletin* 158 (1996) ("*Barclays*"); *Mellon*. Notificant has committed that the distributor of the mutual funds will not be affiliated with Notificant or RCM Management, and that neither Notificant nor RCM Management will be involved in the distribution of mutual fund shares. RCM Management will not engage in advertising on behalf of mutual funds and will not be involved in the preparation of a fund's sales literature, except to review such sales literature for the sole purpose of ensuring compliance with all pertinent regulatory requirements. Notificant will have no officer, director, or employee interlocks with any mutual fund that is advised and administered by RCM Management, and the majority of the directors of any mutual fund administered by RCM Management will consist of disinterested individuals. In addition, RCM Management will provide administrative services to a mutual fund pursuant to a contract that requires that the contract be reviewed and approved annually by the fund's board of directors, and that permits the fund's board of directors to terminate the contract, without penalty, on 60 days' notice. Notificant also will not acquire for its own account more than 5 percent of the shares of any mutual fund for which RCM Management provides only administrative services.

committed to conduct the proposed administration activities subject to the prudential and other limitations established by the Board in *Mellon and Barclays*.[10]

In order to approve this notice, the Board also must find that the performance of the proposed activities by Notificant "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[11] As part of the Board's evaluation of these factors, the Board considers the financial and managerial resources of the notificant and its subsidiaries and the effect the transaction would have on such resources.[12] The Board notes that Notificant's capital ratios meet applicable risk-based capital standards under the Basle Accord and are equivalent to the capital levels that would be required of a U.S. banking organization. Based on all the facts of record, the Board concludes that financial and managerial considerations are consistent with approval.

The Board expects that consummation of the proposal can reasonably be expected to provide added convenience and services to Notificant's customers by offering them an expanded range of investment products and management expertise. Notificant also has stated that consummation of the proposal would give RCM Management access to Notificant's worldwide customer base and contacts and would increase RCM Management's ability to compete in the highly competitive market for investment advisory services. In addition, the Board previously has determined that the provision of administrative services to mutual funds within the parameters established by the Board is not likely to result in the types of subtle hazards at which the Glass–Steagall Act is aimed or in any other adverse effects. There are numerous providers of the proposed nonbanking services, and there is no evidence in the record to indicate that consummation of this proposal is likely to result in significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices.[13] Based on all the facts of record, the Board finds that the public benefits of Notificant's proposed activities outweigh any adverse effects, and, therefore, that the activities are a proper incident to banking for purposes of section 4(c)(8) of the BHC Act.

Based on the foregoing and all the facts of record, including the commitments discussed in this order and all other commitments and representations made by Notificant in connection with this notice, and subject to the terms and conditions set forth in this order, the Board has determined that the notice should be, and hereby is, approved. The Board's determination is subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(b)(3) and (b)(7) of Regulation Y (12 C.F.R. 225.7 and 225.25(b)(3) and (b)(7)), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. The Board's decision is specifically conditioned on Notificant's compliance with the commitments and representations made in connection with this notice, including the commitments and conditions discussed in this order. The commitments, representations, and conditions relied on in reaching this decision shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision and may be enforced in proceedings under applicable law.

This transaction shall not be consummated later than three months after the effective date of this order, unless such period is extended for good cause by the Board or the Federal Reserve Bank of New York, acting pursuant to delegated authority.

By order of the Board of Governors, effective May 30, 1996.

Voting for this action: Chairman Pro Tempore Greenspan and Governors Kelley, Lindsey, Phillips, and Yellen.

WILLIAM W. WILES
Secretary of the Board

10. Neither Notificant nor RCM Management will acquire shares of any mutual fund to which Notificant provides advisory services. Notificant proposes that the profit-sharing plan for employees of RCM Management and RCM Trust ("Plan") be permitted to own up to 5 percent of the shares of certain proprietary mutual funds that are advised by RCM Management. RCM Management and RCM Trust employees can direct that their contributions to the Plan be invested in a variety of investment vehicles available through the Plan, including the proprietary funds. Based on the unique facts in this case and the commitments provided by Notificant, the Board concludes that the Plan's limited proposed ownership interest in the funds would not enable Notificant to control these funds and is consistent with the Glass–Steagall Act, the BHC Act and the Board's interpretive rule (12 C.F.R. 225.125).

11. 12 U.S.C. § 1843(c)(8).

12. *See* 12 C.F.R. 225.24; *see also The Fuji Bank, Limited*, 75 *Federal Reserve Bulletin* 94 (1989); *Bayerische Vereinsbank AG*, 73 *Federal Reserve Bulletin* 155 (1987).

13. In considering the public interest factors in this case, the Board has considered that Notificant, through DSI, engages in bank-ineligible securities activities in the United States pursuant to grandfather rights established by section 8(c)(1) of the International Banking Act of 1978 (12 U.S.C. § 3106(c)). Notificant, however, has committed that DSI and the operations of Notificant authorized under section 4 of the BHC Act will remain completely separate and the companies will not engage in any business with, or on behalf of, each other. In furtherance of this commitment, and not in limitation thereof, Notificant also has committed that there will be no director, officer or employee interlocks of any kind between DSI and Notificant's U.S. subsidiaries authorized under section 4 of the BHC Act; there will be no joint marketing efforts between DSI and Notificant's subsidiaries authorized under section 4 of the BHC Act; and DSI and Notificant's subsidiaries authorized under section 4 of the BHC Act will not share fees, profits or customer information with, will not make customer referrals to, and will not engage in cross-marketing with, each other.

Appendix

List of Administrative Services

(1) Maintaining and preserving the records of the funds, including financial and corporate records;
(2) Computing dividends, performance data and financial information regarding the funds;
(3) Furnishing statistical and research data;
(4) Preparing and filing with the SEC and state securities regulators registration statements, notices, reports and other material required to be filed under applicable laws;
(5) Preparing reports and other informational materials regarding the funds including proxies and other shareholder communications and reviewing prospectuses;
(6) Providing legal and regulatory advice to the fund in connection with its other administrative functions;
(7) Providing office facilities and clerical support for the funds;
(8) Developing and implementing procedures for monitoring compliance with regulatory requirements and compliance with the funds' investment objectives, policies, and restrictions as established by the funds' boards;
(9) Providing routine fund accounting services and liaison with outside auditors;
(10) Preparing and filing tax returns;
(11) Reviewing and arranging for payment of fund expenses;
(12) Providing communication and coordination services with regard to the funds' investment adviser, transfer agent, custodian, distributor and other service organizations that render recordkeeping or shareholder communication services;
(13) Reviewing and providing advice to the distributor and the funds regarding sales literature and marketing plans to assure regulatory compliance;
(14) Providing information to the distributor's personnel concerning fund performance and administration;
(15) Participating in seminars, meetings, and conferences designed to present information to brokers and investment companies, but not in connection with the sale of shares of the funds to the public, concerning the operations of the funds, including administrative services provided by RCM Management to the funds;
(16) Assisting existing funds in the development of additional portfolios;
(17) Providing reports to the fund's board with regard to its activities; and
(18) Providing telephone shareholder services through a toll-free number.

First Commerce Corporation
New Orleans, Louisiana

Order Approving Provision of Community Development Activities

First Commerce Corporation, New Orleans, Louisiana ("FCC"), a bank holding company under the Bank Holding Company Act ("BHC Act"), has requested Board approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) to acquire a limited partnership interest in 150 Baronne Street Limited Partnership, New Orleans, Louisiana ("Limited Partnership"), and thereby engage in community development activities. These activities would be conducted pursuant to section 225.25(b)(6) of the Board's Regulation Y (12 C.F.R. 225.25(b)(6)).

Notice of the proposal, affording an opportunity for interested persons to submit comments, has been published (61 *Federal Register* 16,101 (1996)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

FCC, with consolidated assets of $8.5 billion, controls six banks in Louisiana.[1] FCC also engages in a number of nonbanking activities.

Limited Partnership has been formed to develop an office building in the historic section of the Central Business District of New Orleans.[2] The nearly vacant office building would be converted into a hotel complex. The building is located in a low- and moderate-income area that is adjacent to a public housing project. The State of Louisiana has designated this area as a "difficult to develop" Enterprise Zone, which would provide investors with certain state tax benefits.[3]

The Board has recognized the benefit of allowing bank holding companies to participate in community development activities based on their unique role in the community and has adopted a regulation permitting bank holding companies to make debt and equity investments in community development corporations or projects.[4] Regulation Y permits bank holding companies to make equity and debt investments in corporations or projects that promote community welfare, such as economic rehabilitation of low-income areas that provide housing, services, or jobs for residents.[5] The Board has permitted bank holding companies, directly or through a subsidiary, to invest in, and provide financing to, entities in a low- or moderate-income area if those entities create long-term employment opportunities, a majority of which (based on full-time equivalent

1. Asset data are as of December 31, 1995.

2. FCC would invest $4.9 million as the only limited partner and would provide $7.8 million of the $15 million construction financing through its subsidiary bank. One of the managing members of Limited Partnership's general partner is a minority-owned company that would serve as the developer and manager of the property.

3. The building also has been designated as a Certified Historic Structure by the National Park Service, thereby permitting the investors in the project to qualify for certain federal income investment tax credits.

4. 12 C.F.R. 225.25(b)(6). *See also* 12 C.F.R. 225.127 ("Bank holding companies possess a unique combination of financial and managerial resources making them particularly suited for a meaningful and substantial role in remedying our social ills.").

5. 12 C.F.R. 225.25(b)(6).

positions) will be filled by low- and moderate-income persons.[6]

In this case, FCC has committed that at least a majority of the permanent full-time jobs at the hotel complex will be filled by low- and moderate-income individuals. In addition, one of the members of Limited Partnership's general partner has committed to initiate a special program to train welfare recipients residing in public housing projects for employment in the hotel complex. A portion of the net profits earned by the partnership also would be donated to a nonprofit corporation that provides low-cost housing and employment and business opportunities to disadvantaged residents of Orleans Parish.[7] In light of all the facts of record, including the commitments and representations made by FCC, the proposed activities appear consistent with the Board's regulations and precedent and, therefore, permissible for bank holding companies. Accordingly, the Board concludes that the proposed investment in Limited Partnership is a community development activity permissible under section 4(c)(8) of the BHC Act and section 225.25(b)(6) of Regulation Y.

In order to approve the notice, the Board also is required to determine that the performance of the proposed activities by FCC "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." 12 U.S.C. § 1843(c)(8).[8]

As part of its review of these factors, the Board has considered the financial and managerial resources of FCC and the effect the transaction would have on those resources.[9] Based on all the facts of record, the Board concludes that financial and managerial considerations are consistent with approval.

Consummation of this proposal can reasonably be expected to result in public benefits that outweigh adverse effects. The Board expects that the proposed project would help to revitalize a geographic area in economic decline and create improved job opportunities for low- and moderate-income individuals. In addition, the Board expects that the proposed job training program and contributions to the nonprofit organization would create improved job and other opportunities for low- and moderate-income individuals. There is no evidence in the record to indicate that consummation of this proposal is likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval.

Based on the foregoing and all the facts of record, including the commitments made by FCC in connection with this notice, the Board has determined that the notice should be, and hereby is, approved. This determination also is subject to all the conditions set forth in the Board's Regulation Y, including those in sections 225.7 and 225.23(b), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder. The Board's approval of this proposal is specifically conditioned on compliance by FCC and its subsidiaries with these conditions and commitments which are conditions imposed in writing by the Board in connection with its findings and decision and may be enforced in proceedings under applicable law.

This transaction shall not be consummated later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Atlanta, acting pursuant to delegated authority.

By order of the Board of Governors, effective May 29, 1996.

Voting for this action: Chairman Pro Tempore Greenspan and Governors Kelley, Lindsey, Phillips, and Yellen.

WILLIAM W. WILES
Secretary of the Board

Huntington Bancshares Incorporated
Columbus, Ohio

Wachovia Corporation
Winston-Salem, North Carolina

Area Bancshares Corporation
Owensboro, Kentucky

Order Approving Notices to Engage in Certain Data Processing Activities

Huntington Bancshares Incorporated, Columbus, Ohio ("Huntington"), Wachovia Corporation, Winston-Salem, North Carolina ("Wachovia"), and Area Bancshares Corporation, Owensboro, Kentucky ("Area") (collectively, "BHC Investors"), bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), each have applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23), to engage in data processing activities through

6. *See* 59 *Federal Register* 63,712 (1994) amending 12 C.F.R. 225.127.

7. FCC estimates that the partnership would contribute approximately $372,000 over the next seven years with additional contributions after this period until the partnership is dissolved.

8. 12 U.S.C. § 1843(c)(8).

9. *See* 12 C.F.R. 225.24. *See also The Fuji Bank, Limited,* 75 *Federal Reserve Bulletin* 94 (1989); *Bayerische Vereinsbank,* 73 *Federal Reserve Bulletin 155* (1987).

Five Paces Software, Inc., Atlanta, Georgia ("Five Paces").[1] As described more fully in the Board's Order issued today, the Board has approved the notice by Cardinal Bancshares, Inc., Lexington, Kentucky ("Cardinal"), for its wholly owned thrift subsidiary, Security First Network Bank, Lexington, Kentucky ("SFNB"), to acquire all the voting shares of Five Paces.[2] Five Paces develops and sells computer software and engages in other data processing activities related to providing banking and financial services over the Internet.

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 55,579, 55,580, and 55,582 (1995)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.[3]

The BHC Investors propose to assist Five Paces in the development of its products and services, in the development of business strategies, and in its operations. The BHC Investors propose to provide this assistance through representation on the board of directors of Five Paces and through other advisors. The BHC Investors also propose to establish various business relationships with Five Paces, including purchasing software and other services from Five Paces. Although, as discussed above, the BHC Investors have committed not to attempt to exercise a controlling influence over SFNB, those commitments do not apply to the involvement of the BHC Investors in the business of Five Paces.[4] Accordingly, the BHC Investors have requested Board approval to exercise a controlling influence over Five Paces and engage in the activities of Five Paces.

Closely Related to Banking Analysis

Section 4(c)(8) of the BHC Act provides that a bank holding company may, with Board approval, engage in any activity that the Board determines to be "so closely related to banking or managing or controlling banks as to be a proper incident thereto."[5] For the reasons discussed more fully in the *Cardinal Order*, and hereby incorporated in this order, the Board concludes that the activities proposed by Five Paces are permissible data processing and transmission services under Regulation Y and closely related to banking within the meaning of the BHC Act.

Proper Incident to Banking Analysis

In order to approve this proposal, the Board also must determine that the proposed activities are a proper incident to banking, that is, that the proposal "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, or unsound banking practices."[6]

As part of its review of these factors, the Board has considered the financial and managerial resources of the BHC Investors, their subsidiaries, and the company to be acquired, and the effect the transaction would have on those resources.[7] Based on all the facts of record, including relevant reports of examination and inspection, the Board concludes that financial and managerial considerations are consistent with approval of these notices. There is no evidence in the record to indicate that this proposal would produce any other significant adverse effects, such as decreased or unfair competition, undue concentration of resources, or conflicts of interests.[8]

The Board has carefully considered the possibility that, by helping to make banking services available over the Internet, which is a non-proprietary computer network accessible by users worldwide, the activities of Five Paces could expose financial institutions, their customers, infor-

1. Under this proposal, BHC Investors would each acquire voting and nonvoting stock in Security First Network Bank, Pineville, Kentucky ("SFNB"). Because the BHC Investors do not intend to become involved in any manner in the management or operations of SFNB, they have structured their shareholdings in accordance with the Board's precedents on noncontrolling investments. For example, the total investment of each BHC Investor would be less than 15 percent of the total equity of SFNB and would consist of less than 5 percent of SFNB's voting shares and nonvoting, convertible preferred shares that meet the requirements for nonvoting securities under Regulation Y. BHC Investors are unaffiliated and have no agreements among themselves regarding ownership or control of SFNB or Five Paces. Without Board approval, BHC Investors may sell their shares only to SFNB, in a widely dispersed public offering, or in blocks of stock representing less than 2 percent of SFNB's equity. Other shareholder groups would hold substantially larger blocks of SFNB voting shares, and BHC Investors have made a number of commitments similar to those relied on by the Board in past cases to ensure that BHC Investors do not exercise or attempt to exercise a controlling influence over the management or policies of SFNB. *See generally* Board letter to Thomas M. Shoaff, Esq., dated April 30, 1986 (investment by Lincoln National Corporation). As explained below, BHC Investors do expect to provide assistance to Five Paces regarding the design, development, and marketing of data processing products and services of Five Paces, and have requested Board approval to exercise a controlling influence over Five Paces and to engage in the activities of Five Paces.

2. *See Cardinal Bancshares, Inc.*, 82 *Federal Reserve Bulletin* ____ (1996) (Order dated May 21, 1996) ("*Cardinal Order*").

3. Asset and deposit information for each of the BHC Investors is contained in the Appendix.

4. Under this proposal, SFNB will own all the shares of Five Paces and will control the election of a majority of the board of directors of Five Paces, who will be unaffiliated with Cardinal and the BHC Investors. The OTS has approved SFNB's ownership and operation of Five Paces. *See* Letter dated May 17, 1996, from Ronald N. Karr, Regional Director, OTS, to Stuart G. Stein, Esq.

5. 12 U.S.C. § 1843(c)(8).

6. 12 U.S.C. § 1843(c)(8).

7. *See* 12 C.F.R. 225.24. *See also The Fuji Bank, Limited*, 75 *Federal Reserve Bulletin* 94 (1989); *Bayerische Vereinsbank AG*, 73 *Federal Reserve Bulletin* 155 (1987).

8. The BHC Investors have committed that Five Paces will not use or disclose to any person any confidential information concerning financial institution clients of Five Paces or customers of these financial institutions without the express consent of the client.

mation, and transactions to electronic interception, interference, or fraud. The software developed by Five Paces uses cryptography to attempt to maintain the privacy of transactions and various security measures designed to protect the underlying data.

The Board recognizes that neither the software developed by Five Paces nor any other software product or security system can provide absolute protection against these risks. The nature of these risks is not different, however, from those to which more traditional banking operations are exposed in other forms. The Board also expects banking organizations considering whether to provide services over the Internet to analyze carefully the associated risks, and to evaluate carefully whether those risks are consistent with their policies relating to the security of customer information and other data.[9] The Board believes that such analyses and evaluations would mitigate the risk that conducting banking transactions over the Internet would result in unsound banking practices.[10]

The Board expects that the acquisition of Five Paces by SFNB, and the investments by the BHC Investors, would enhance consumer convenience by expanding the availability of electronic banking services and by making those services available in new ways. In particular, customers would be able to conduct banking and financial transactions using personal computers without visiting a bank branch and without the bank establishing a separate proprietary computer network. The record also indicates that involvement of the BHC Investors in the operations of Five Paces should provide Five Paces with access to resources and expertise in various aspects of data processing and banking services that are likely to enhance the products developed by, and operations of, Five Paces. In addition, the proposed transaction and resulting capital infusion would enable Five Paces to develop additional products and services, and increase the capital available to SFNB.

Based on all the facts of record, the Board has determined that the balance of the public interest factors it is required to consider under the proper incident to banking standard of section 4(c)(8) of the BHC Act is favorable and consistent with approval of these notices.

Conclusion

Based on all the facts of record, the Board has determined that this proposal should be, and hereby is, approved. The Board's approval is specifically conditioned on compliance with the commitments made in connection with these notices and with the conditions referred to in this order. The Board's determination also is subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(g)(3) (12 C.F.R. 225.7 and 225.23(g)(3)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with and to prevent evasion of the provisions of the BHC Act and the Board's regulations and orders issued thereunder. For purposes of this action, these conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and as such, may be enforced in proceedings under applicable law.

This transaction shall not be consummated later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Banks of Cleveland, Richmond, or St. Louis, acting pursuant to delegated authority.

By order of the Board of Governors, effective May 21, 1996.

Voting for this action: Chairman Pro Tempore Greenspan and Governors Kelley, Phillips, and Yellen. Absent and not voting: Governor Lindsey.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix

Huntington, with approximately $20.3 billion in total consolidated assets, is the fifth largest commercial banking organization in Ohio, controlling deposits of approximately $12.6 billion.[1] Huntington controls subsidiary banks in Ohio, West Virginia, Michigan, Indiana, and Florida.

Wachovia, with approximately $45 billion in total consolidated assets, is the second largest commercial banking organization in North Carolina, controlling deposits of approximately $26.4 billion. Wachovia controls subsidiary banks in North Carolina, Georgia, South Carolina, and Delaware.

Area, with approximately $1.1 billion in total consolidated assets, is the tenth largest commercial banking organization in Kentucky, controlling deposits of approximately $811.5 million. Area controls subsidiary banks in Kentucky.[2]

9. The Board also expects financial institutions, as part of this evaluation, to implement any modifications to their information security procedures and controls that appear to be necessary or appropriate in light of the risks presented by Internet-based services.

10. The BHC Investors have committed that they will not represent that the Board's approval of these notices constitutes an endorsement of Five Paces's products or services by the Board, the Federal Reserve System, or any Federal Reserve Bank. The BHC Investors also will not indicate in any of their marketing efforts or materials, either oral or written, that the Federal Reserve System or any part thereof assures or has approved or endorsed the security, functionality, or effectiveness of products or services offered by Five Paces.

1. Asset and deposit data are as of December 31, 1995.

2. The BHC Investors also engage, directly or through subsidiaries, in a variety of permissible nonbanking activities in the United States.

Norwest Corporation
Minneapolis, Minnesota

Order Approving a Notice to Acquire Certain Nonbanking Assets

Norwest Corporation, Minneapolis, Minnesota ("Norwest"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act") has applied for Board approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) to acquire indirectly through its wholly owned subsidiaries substantially all the assets of The Prudential Home Mortgage Company, Inc., Clayton, Missouri ("Prudential"), that are related to originating and servicing residential mortgage loans. The Board previously has determined that mortgage lending is a permissible activity for a bank holding company.[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 9991 (1996)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4 of the BHC Act.[2]

Norwest, with total consolidated assets of $72.1 billion,[3] controls banks in Minnesota and 14 other states. Norwest also engages in a number of nonbanking activities, including mortgage origination and mortgage servicing, nationwide.

Norwest and Prudential both engage in servicing and originating residential mortgage loans. The market for mortgage servicing is national in scope and unconcentrated.[4] The Board has determined previously that the market for mortgage origination is local in scope.[5] The Board has reviewed the 307 MSAs where Norwest and Prudential have reported mortgage originations under the Home Mortgage Disclosure Act ("HMDA"). These data show that in all but two Metropolitan Areas ("MAs"), consummation of this proposal would not exceed the Department of Justice Merger Guidelines.[6] In the remaining two MAs, a significant number of competitors would remain following this transaction.[7] In addition, there are low barriers to entry into the mortgage origination business. Based on all the facts of record, including the business strategies and manner of mortgage origination operations of the two companies,[8] the Board concludes that if there would be any adverse effects from this transaction, they are likely to be negligible.

The Board previously has determined by regulation that the proposed activities are closely related to banking.[9] In order to approve this proposal, the Board also must determine that the proposed activity is a proper incident to banking, that is, that the proposal "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[10] As part of its evaluation of these factors, the Board considers the financial and managerial resources of the notificant and its subsidiaries and the effect the transaction would have on those resources. All of Norwest's subsidiary banks are well capitalized, and Norwest's record of earnings is strong. Norwest would fund this acquisition through the issuance

1. 12 C.F.R. 225.25(b)(1). Norwest Funding, Inc. would acquire certain mortgage loans originated by Prudential, and Norwest Mortgage, Inc. ("Norwest Mortgage") would acquire certain mortgage servicing contracts and other assets related to Prudential's mortgage lending business. As part of this transaction, Norwest Bank Minnesota, N.A., a national bank controlled by Norwest, would also acquire certain assets and assume certain liabilities of Securitized Asset Services Corporation, an affiliate of Prudential that is engaged in mortgage-backed securities administration and mortgage servicing. All of these Norwest subsidiaries are located in Minneapolis, Minnesota. The acquisition of assets by Norwest Bank Minnesota, N.A. is not subject to the Board's approval. *See Merchants National Corp.*, 75 *Federal Reserve Bulletin* 388 (1989), *aff'd*, 890 F.2d 1275 (2d Cir. 1989).

2. The Board received untimely comments from Inner City Press/Community on the Move ("Protestant") submitted after the close of the public comment period. Protestant contends that the notice for this proposal should be republished and that the notice inadequately described the transaction and did not identify all the Prudential affiliates that would sell assets to Norwest. Notice of the proposal inviting public comment was published in accordance with the Board's Rules (*see* 12 C.F.R. 225.23(c) and 262.25(a)(4)), and provided all interested persons with a description of the proposed activities, the acquiring company, and the transaction pending before the Board. As noted, some of the assets in this proposal would be purchased directly by a subsidiary national bank of Norwest and would not require public notice or approval under the BHC Act. The comments filed by Protestant indicate that it had adequate notice of the proposal.

3. Assets are as of December 31, 1995.

4. On consummation of this proposal, Norwest would control approximately 5 percent of the market for mortgage servicing. The 30 largest mortgage servicers control a combined market share of approximately 42 percent and numerous competitors would remain in the market. Market share and ratings are calculated on the basis of dollar volume of mortgages, and data provided in *Inside Mortgage Finance* (1995). Data for servicing are for year-end 1995.

5. *NBD Bancorp, Inc.*, 71 *Federal Reserve Bulletin* 258, 261 (1985); *First National City Corp.*, 60 *Federal Reserve Bulletin* 50, 51 (1974).

6. 49 *Federal Register* 26,823 (June 29, 1984).

7. Twenty eight mortgage providers would remain in the Great Falls, Montana Metropolitan Statistical Area ("MSA"), and 19 would remain in the Casper, Wyoming MSA.

8. Norwest originates mortgages in local markets through a network of approximately 700 retail loan offices that market mortgage loan services locally. Prudential, on the other hand, originates mortgages throughout the United States from three telemarketing locations and depends primarily on nationwide marketing techniques such as: (1) inserts and messages on statements to current Prudential customers, (2) messages to employees of firms that have relocation contracts with Prudential and to members of national professional and affinity groups such as the American Medical Association, and (3) advertisements in affinity group publications. Competition in local markets affects the pricing decisions for mortgage loans made by Norwest but not for mortgage loans made by Prudential. Norwest permits its local offices to vary the prices offered based on local market conditions. Prudential, on the other hand, sets one price for its mortgage loans nationwide.

9. *See* 12 C.F.R. 225.25(b)(1).

10. 12 U.S.C. § 1843(c)(8).

of commercial paper, which would be retired by the sale on the secondary market of mortgages purchased from Prudential. Thus, Norwest has sufficient financial resources to effect this transaction as proposed without impairing its financial strength or that of its depository subsidiaries. In evaluating the managerial resources of Norwest, the Board has carefully considered the reports of examination of Norwest and its subsidiaries. Based on these and other facts of record, the Board concludes that financial and managerial considerations weigh in favor of approval of this proposal.[11]

Protestant contends that Prudential's record of making housing-related loans to minorities raises adverse considerations for this proposal.[12] The BHC Act requires the Board to consider whether the performance of the proposed activities by the acquiring bank holding company is likely to achieve public benefits that outweigh likely adverse effects. Prudential is not currently subject to supervision by the federal banking agencies. Thus, while Protestant has complained about the manner in which Prudential conducted its activities in the past, the Board is required by the BHC Act to consider the manner in which Norwest proposes to conduct the proposed activities after the acquisition.

Protestant also argues that Norwest's record of housing-related lending to minorities is not significantly better than Prudential's record in certain MAs[13] and that Norwest's programs and policies are insufficient to improve Prudential's record. Norwest has stated that the operations acquired from Prudential would be managed by Norwest's senior management and would be subject to Norwest's fair lending policies and procedures.[14] Fair lending initiatives extend throughout the mortgage operations of Norwest and include fair lending training of all employees who have contact with customers, a second review of all applications denied on initial review, and a quarterly analysis of HMDA in all markets. Other Norwest divisions, such as Norwest Audit Services, conduct comparative analyses of selected loan files. Norwest states that it will continue its commitment to fair lending upon consummation of this proposal.

The facts of record support the effectiveness of Norwest's policies and practices. For example, Norwest Mortgage's overall origination rates for African-American and Hispanic mortgage applicants in the combined MAs reviewed by Protestant exceeds origination rates by these applicants in the aggregate of all HMDA reporters. In addition, Norwest has hired new community development loan officers in a number of MAs with predominately minority population to focus on underserved communities and anticipates employing a total of 375 such officers by 1997.

The Board also has considered the potential benefits to the public, such as greater convenience, increased competition, or gains in efficiency in light of Protestant's contentions that no public benefits have been demonstrated in this proposal. Norwest states that the acquisition of new technologies and systems from Prudential would enable Norwest more effectively to provide mortgage origination services both in its existing market locations and in new markets nationwide. The Board notes that the adoption of new automated processing technologies by the mortgage industry has been a key factor in improving the efficiency in mortgage servicing and appears to have yielded economies of scale. In addition, Norwest's customers would benefit from access to new options for obtaining mortgage financing that would be provided by Prudential's nationwide origination strategies. Improvements in Norwest's risk management with the acquisition of Prudential's secondary marketing and hedging group should also enhance the safety and soundness of Norwest's operations and has the potential to reduce costs to Norwest and mortgage applicants.

The requirement under section 4 of the BHC Act that the Board must determine that public benefits from a proposal can reasonably be expected to outweigh potential adverse effects necessarily involves a balancing process that takes into account the extent of the potential for adverse effects. For the reasons discussed above, the potential for adverse effects, if any, resulting from this transaction is negligi-

11. 12 C.F.R. 225.24; *The Fuji Bank, Limited*, 75 *Federal Reserve Bulletin* 94 (1989); *Bayerische Vereinsbank AG*, 73 *Federal Reserve Bulletin* 155 (1987). Protestant criticizes the management of Prudential's securities subsidiary. This transaction does not involve the acquisition of Prudential's securities brokerage operations, and Protestant has provided no facts to show how this contention relates to the management of Norwest or to the mortgage operations proposed to be acquired in this transaction. Protestant also maintains that fees charged by Norwest's discount brokerage subsidiary are among the highest in the industry. There is no evidence in the record that Norwest's securities brokerage fees are illegal or discriminatory.

Another commenter objected to this proposal because a bank subsequently acquired by Norwest foreclosed on his property. This matter is an isolated incident that is unrelated to the transaction under review in this case, and the Board notes that courts can provide this commenter with an appropriate remedy if the commenter can substantiate improper actions in the foreclosure. The Board also concludes that the common law lien filed by the commenter would not adversely affect Norwest's financial condition.

12. Protestant criticizes Prudential's management and its record of making mortgage loans to minorities as reflected by data filed under the HMDA for a number of MAs.

13. For example, Protestant notes that HMDA data for Prudential and Norwest in 1993 and 1994 indicate that the percentages of loans approved for minority applicants decreased in the Anaheim, Chicago, Los Angeles, Oakland, Riverside and Tampa MAs. In addition, Protestant notes that, in the New York and Nassau-Suffolk MAs, Prudential makes more loans to minorities than Norwest. Protestant also generally alleges that in other MAs Norwest receives fewer applications from, and makes fewer loans to, minorities than other HMDA reporting lenders in the aggregate.

14. Norwest's efforts to improve its ability to provide mortgage services to underserved communities are implemented by six full-time employees in Norwest's Fair Lending Initiatives Department. Protestant contends that this is not enough employees to coordinate effectively fair lending law compliance, particularly in light of the deficiencies alleged by Protestant in Prudential's record of housing-related lending to minorities, and that, in any event, Norwest's policies are themselves inadequate. As explained above, Norwest's policies, although initiated by six employees, are implemented throughout the mortgage origination operation, and include training of each employee engaged in mortgage origination activities.

ble.[15] The Board also believes that, based on the considerations discussed above, including the operational efficiencies and expanded channels for mortgage originations, the proposal can reasonably be expected to produce notable public benefits.[16] Accordingly, based on all the facts of record, the Board has determined that the performance of the proposed activities by Norwest can reasonably be expected to produce benefits to the public that would outweigh any likely adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Based on the foregoing and all the facts of record, including the commitments and representations made by Norwest in this case, the Board has determined that the notice should be, and hereby is, approved.[17] This determination is subject to all the conditions set forth in the Board's Regulation Y, including those in sections 225.7 and 225.23(g) of Regulation Y (12 C.F.R. 225.7 and 225.23(g)), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. The Board's decision is specifically conditioned on compliance by Norwest with all the commitments made in connection with this notice. For purposes of this action, these commitments and conditions shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

The transaction shall not be consummated later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Minneapolis, acting pursuant to delegated authority.

By order of the Board of Governors, effective May 6, 1996.

This action was taken pursuant to the Board's Rules Regarding Delegation of Authority (12 C.F.R. 265.4(b)(1)) by a committee of Board members. Voting for this action: Chairman Pro Tempore Greenspan and Governors Kelley, and Phillips. Absent and not voting: Governors Lindsey and Yellen.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

15. Protestant has not provided any facts to show that this proposal would result in undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsafe or unsound banking practices.

16. Protestant maintains that the public benefits identified by Norwest are too speculative and that Norwest has not demonstrated that these benefits would be unavailable unless this proposal is approved. The Board has reviewed the public benefits identified by Norwest in light of all the facts of record, including Norwest's extensive experience as a leading mortgage originator, the Board's experience with the mortgage industry in general, the current operational aspects of each organization's mortgage activities, and Norwest's representations about its future mortgage activities. The Board also notes that this transaction would directly result in Norwest obtaining new automated processing technologies, and secondary marketing and hedging expertise. Based on this review, the Board concludes that public benefits can be reasonably expected to result from this transaction. The proper incident to banking standard in section 4 of the BHC Act, moreover, does not require a demonstration that the transaction under review would be the only means of achieving such benefits.

17. Protestant has requested that the Board hold a public hearing or meeting on this notice relating to its allegations. This request was not received within the time period specified under the Board's Rules of Procedure. *See* 12 C.F.R. 262.3(e).

The Board also notes that a hearing is required under section 4 of the BHC Act only if there are disputed issues of material fact that cannot be resolved in some other manner. 12 C.F.R. 225.23(f). As noted, Norwest's senior management and fair lending policies will be implemented on consummation of the proposal and Prudential's technologies and operational strategies will be incorporated into Norwest's current mortgage activities. Protestant does not dispute this, but challenges the weight that should be accorded to, and the conclusions that may be drawn from these and other facts of record. Nor does Protestant identify any other disputed issues of fact that are material to the Board's decision. In addition, Protestant's allegations regarding Prudential do not reflect adversely on the factors the Board must consider, which relate to the effects likely to result from the conduct of the proposed activities by an affiliate of a bank holding company. Moreover, the interested parties have had an opportunity to present their views, and Protestant has submitted substantial written comments that have been considered by the Board. Protestant's request fails to show why a written presentation would not suffice and to summarize what evidence would be presented at a hearing or meeting. *See* 12 C.F.R. 262.3(e). On the basis of all the facts of record, the Board has determined that a public hearing or public meeting is not required or necessary to clarify the factual record in this notice, or otherwise warranted in this case. Accordingly, the request for a public hearing or meeting on this notice is hereby denied.

Swiss Bank Corporation
Basel, Switzerland

Order Approving a Notice to Retain Control of Certain Nonbanking Companies and to Continue to Engage in Certain Securities- and Derivatives-Related Activities

Swiss Bank Corporation, Basel, Switzerland ("Swiss Bank"), a foreign bank subject to the provisions of the Bank Holding Company Act ("BHC Act"),[1] has provided notice under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) to retain control of all the voting shares of certain United States subsidiaries of S.G. Warburg Overseas Ltd., London, England ("United States Subsidiaries"), and the assets and liabilities of the branch of S.G. Warburg Forex Ltd., London, England, that is located in New York, New York ("New York Forex", and, together with the United States Subsidiaries, collectively,

1. Swiss Bank, a foreign bank with branches and an agency in the United States, is subject to the BHC Act by operation of section 8(a) of the International Banking Act of 1978 (12 U.S.C. § 3106(a)) ("IBA").

"Warburg").[2] Warburg engages in the following nonbanking activities:

(1) Providing various types of investment and financial advice, as described in section 225.25(b)(4) of Regulation Y;

(2) Conducting discount and full-service securities brokerage activities, and activities incidental thereto, as described in section 225.25(b)(15) of Regulation Y;

(3) Underwriting and dealing in obligations of the United States, general obligations of states and their political subdivisions, and other obligations that state member banks of the Federal Reserve System may be authorized to underwrite and deal in under 12 U.S.C. §§ 24 and 335, as described in section 225.25(b)(16) of Regulation Y;

(4) Acting as agent in the private placement of all types of securities, and providing related advisory services;

(5) Underwriting and dealing in, to a limited extent, all types of debt and equity securities;

(6) Trading for its own account in the securities option contracts listed in Appendix A attached hereto;

(7) Trading for its own account in the futures and options on futures contracts listed in Appendix B attached hereto; and

(8) Trading for its own account in foreign exchange spot, forward, and futures transactions.

The United States Subsidiaries include S.G. Warburg & Co., Inc., New York, New York, S.G. Warburg Options Inc., Chicago, Illinois, and S.G. Warburg OTC USA, Inc., Chicago, Illinois.[3] Swiss Bank intends to merge S.G. Warburg & Co., Inc. with and into SBC Capital Markets Inc., New York, New York ("Company"), a subsidiary of Swiss Bank that engages in a wide range of securities- and derivatives-related activities, including underwriting and dealing in all types of debt and equity securities (other than securities issued by open-end investment companies) on a limited basis.[4] S.G. Warburg Options Inc. and S.G. Warburg OTC USA, Inc. would either be merged with and into Company at the same time or liquidated promptly thereafter. The assets and liabilities of New York Forex would be acquired either by Company or by a branch of Swiss Bank located in London or the United States.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 40,181 (1995)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

Swiss Bank, with total consolidated assets of approximately $162.1 billion, is the 44th largest banking organization in the world.[5] In the United States, Swiss Bank operates branches in New York, New York; Chicago, Illinois; and San Francisco, California; maintains an agency in Miami, Florida; and engages through subsidiaries in a broad range of nonbanking activities. Company is, and will continue to be, a broker-dealer registered with the Securities and Exchange Commission ("SEC") and a member of the National Association of Securities Dealers, Inc. ("NASD"). Accordingly, Company is subject to the recordkeeping and reporting obligations, fiduciary standards, and other requirements of the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*), the SEC, and the NASD.

Swiss Bank seeks approval for Company to continue to conduct the activities listed above throughout the United States, and plans for Company to continue to conduct these activities worldwide. The Board previously has determined by order or regulation that all of these activities are closely related to banking within the meaning of section 4(c)(8) of the BHC Act, and Swiss Bank previously has received Board approval to engage in each of these activities through Company.[6] Company would continue to conduct its activities in accordance with the conditions and limitations imposed by the Board in the *Swiss Bank Orders*, including the limitations established in Regulation Y and all the commitments furnished by Swiss Bank.

Company currently is engaged in limited underwriting and dealing activities that the Board previously has determined are permissible under section 20 of the Glass–Steagall Act (12 U.S.C. § 377). In particular, the Board has determined that the conduct of these securities underwriting and dealing activities is consistent with section 20, provided that the company engaged in the underwriting and dealing activities derives no more than 10 percent of its total gross revenue over any two-year period from

2. On June 26, 1995, Swiss Bank received temporary authority to acquire Warburg pursuant to section 4(c)(9) of the BHC Act (12 U.S.C. § 1843(c)(9)). This authority was granted in reliance on certain commitments and conditions, including Swiss Bank's commitment to file this notice.

3. Under the proposal, Swiss Bank also would retain S.G. Warburg Investments (U.S.A.) Inc. ("Warburg Investments"), which makes equity investments in nonbanking companies and also engages in lending activities. Making loans is a permissible activity for bank holding companies under Regulation Y, and Swiss Bank has previously received approval under Regulation Y to make loans. *See* 12 C.F.R. 225.25(b)(1); *Swiss Bank Corporation*, 81 *Federal Reserve Bulletin* 185 (1995) ("*Swiss Bank 1994*"). Swiss Bank has committed that, to the extent Warburg Investments holds investments that do not conform to section 4(c)(6) of the BHC Act (12 U.S.C. § 1843(c)(6)) and the Board's policy statements, orders, and interpretations concerning nonvoting equity investments, such investments will be divested or modified so as to conform to the BHC Act and the Board's policies and precedents within two years from the date this acquisition was consummated. It is a condition of the Board's approval of this notice that Swiss Bank provide quarterly reports on the progress it has made toward fulfillment of this commitment. The Board also expects that, in accordance with the Policy Statement on Nonvoting Equity Investments (12 C.F.R. 225.143), Swiss Bank will consult with the Federal Reserve System before Warburg Investments makes any new or additional investments to ensure that the investments would conform to the requirements of the BHC Act and the Board's policies and precedents.

4. *See Swiss Bank 1994.*

5. Asset data are as of December 31, 1994, and employ exchange rates then in effect.

6. *See Swiss Bank 1994. See generally Swiss Bank Corporation*, 77 *Federal Reserve Bulletin* 759 (1991), and *Swiss Bank Corporation*, 77 *Federal Reserve Bulletin* 126 (1991) (together with *Swiss Bank 1994*, collectively, "*Swiss Bank Orders*").

underwriting and dealing in securities that a state member bank may not underwrite or deal in directly ("bank-ineligible securities").[7] Swiss Bank has committed that Company will conduct its underwriting and dealing activities with respect to bank-ineligible securities subject to this 10-percent revenue test.[8]

In order to approve the notice, the Board also must determine that the proposal can reasonably be expected to produce public benefits that would outweigh possible adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act. Under the framework established in this and prior decisions, consummation of the proposal is not likely to result in any significant adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices that outweigh the public benefits of the proposal. The record also indicates that the proposal should enhance Company's ability to compete with other financial institutions engaged in the international investment banking business, and to offer a broader range of products and services to its customers.

As part of the Board's evaluation of these factors under section 4(c)(8), the Board also has considered the financial and managerial resources of Swiss Bank and its subsidiaries and the effect of the proposal on such resources.[9] The Board notes that Swiss Bank's capital ratios satisfy applicable risk-based standards established under the Basle Accord, and that the acquisition of Warburg had *de minimis* impact on Swiss Bank's financial and managerial resources. The Board also has reviewed the capitalization of Company in accordance with the standards set forth in the Section 20 Orders and found this capitalization to be consistent with approval of the proposal. This determination on the capitalization of Company is based on all the facts of record, including related commitments and representations made by Swiss Bank.

In addition, the Board notes that on March 6, 1996, Swiss Bank, without admitting to any allegations, consented to the issuance of an order of assessment of a civil money penalty in settlement of charges that Company violated the 10-percent revenue limitation on bank-ineligible securities activities. In reviewing the notice, the Board has considered the steps that Swiss Bank and Company have put in place to monitor compliance with the 10-percent limitation. On the basis of all the facts of record, including the foregoing, the Board has concluded that these financial and managerial considerations are consistent with approval of this proposal. Accordingly, and based on all the facts of record, the Board has concluded that the balance of the public interest factors it is required to consider under the proper incident to banking standard of section 4(c)(8) of the BHC Act is favorable and consistent with approval of the notice.

Based on all the facts of record, the Board has determined to, and hereby does, approve the notice subject to all the terms and conditions discussed in this order and in the *Swiss Bank Orders*. The Board's approval of the proposal extends only to activities conducted within the limitations of those orders and this order, including the Board's reservation of authority to establish additional limitations to ensure that Company's activities are consistent with safety and soundness, conflicts of interests, and other relevant considerations under the BHC Act. The Board's determination also is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(b) of Regulation Y, and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. The Board's decision is specifically conditioned on compliance with all the commitments made in connection with the notice, the conditions established in this order, and the commitments and conditions set forth or referred to in the *Swiss Bank Orders* and the Board regulations and other orders noted above. These commitments and conditions shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

By order of the Board of Governors, effective May 13, 1996.

Voting for this action: Chairman Pro Tempore Greenspan and Governors Kelley, Phillips, and Yellen. Absent and not voting: Governor Lindsey.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

7. *See Canadian Imperial Bank of Commerce, et al.*, 76 *Federal Reserve Bulletin* 158 (1990); *J.P. Morgan & Co. Incorporated, et al.*, 75 *Federal Reserve Bulletin* 192 (1989), *aff'd sub nom. Securities Industries Ass'n v. Board of Governors of the Federal Reserve System*, 900 F.2d 360 (D.C. Cir. 1990); *Citicorp, et al.*, 73 *Federal Reserve Bulletin* 473 (1987), *aff'd sub nom. Securities Industry Ass'n v. Board of Governors of the Federal Reserve System*, 839 F.2d 47 (2d Cir. 1988), *cert. den.*, 486 U.S. 1059 (1988) (collectively, "Section 20 Orders"). Compliance with the 10-percent revenue limitation shall be calculated in accordance with the method stated in the Section 20 Orders, as modified by the *Order Approving Modifications to the Section 20 Orders*, 75 *Federal Reserve Bulletin* 751 (1989), the *Order Approving Modifications to the Section 20 Orders*, 79 *Federal Reserve Bulletin* 226 (1993), and the *Supplement to Order Approving Modifications to Section 20 Orders*, 79 *Federal Reserve Bulletin* 360 (1993). The Board notes that Swiss Bank has elected to use the Board's alternative indexed revenue test to measure compliance with the 10-percent limitation on bank-ineligible securities activities.

8. Swiss Bank has proposed to deal in certain derivative instruments that themselves constitute securities, such as cash-settled stock index options that are traded on securities exchanges. The Board notes that these instruments are securities for purposes of the federal securities laws, and that the securities comprising the relevant stock indexes are also securities that are not eligible for a bank to invest in under the Glass–Steagall Act. Based on the status of these stock index options under the federal securities laws, and after review of the relevant legislative history and the purposes of the Glass–Steagall Act, the Board has determined that stock index options are bank-ineligible securities for purposes of section 20 of the Glass–Steagall Act and the 10-percent revenue test.

9. *See* 12 C.F.R. 225.24.

Appendix A

American Stock Exchange
Major Market Index options

Chicago Board Options Exchange
Standard & Poor's 100 Stock Index options
Standard & Poor's 500 Stock Index options
Long-Term Interest Rate options

Appendix B

Chicago Board of Trade
Options on The Bond Buyer Municipal Bond Index futures

Chicago Mercantile Exchange
Standard & Poor's 100 Stock Price Index futures
Standard & Poor's 500 Stock Price Index futures
Options on Standard & Poor's 500 Stock Price Index futures
Eurodollar futures

Marche a Terme International de France (Paris)
Cotation Assiste en Contenue (CAC) 40 Stock Index futures

Orders Issued Under Bank Holding Company Act Amendments of 1970

Huntington Bancshares, Incorporated
Columbus, Ohio

National City Corporation
Cleveland, Ohio

Order Approving an Exemption from the Anti-Tying Provisions of the Bank Holding Company Act Amendments of 1970

Huntington Bancshares, Incorporated, Columbus, Ohio ("Huntington"), and National City Corporation, Cleveland, Ohio ("National City") (collectively, "Applicants"), bank holding companies within the meaning of the Bank Holding Company Act, have requested an interpretation that section 106 of the Bank Holding Company Act Amendments of 1970 (12 U.S.C. § 1972) does not prohibit a bank from offering a "floorplan" loan at a reduced rate to an automobile dealership based on the amount of retail paper financing sold to the bank by the dealership, or originated by the dealership on behalf of the bank. For example, a bank might reduce the interest rate on a floorplan loan by 1 percentage point if a dealership sells more than 50 percent of its retail paper to the bank, or originates more than 50 percent of its retail paper on behalf of the bank.

Applicants seek a similar interpretation to allow a nonbank subsidiary of a bank holding company to offer the same discount, and to allow such discounts when two bank holding company subsidiaries are involved (for example, when a bank discounts the floorplan loan based on a dealership's selling retail paper to an affiliate). If the Board determines that any such arrangement would be prohibited by section 106, Applicants request that the Board grant an exemption to permit such activities.

Notices of the requests, affording interested persons an opportunity to submit comments, have been published (60 *Federal Register* 57,429 (1995)) and 61 *Federal Register* 167 (1996)). The time for filing comments has expired, and the Board received four comments in support of these requests.

Huntington, the 35th largest banking organization in the United States, controls deposits of $12.6 billion and operates subsidiary banks in Ohio, Michigan, Indiana, West Virginia, and Florida.[1] National City, the 16th largest banking organization in the United States, controls deposits of $25.2 billion and operates subsidiary banks in Ohio, Kentucky, and Indiana. Applicants also engage directly or through subsidiaries in a broad range of permissible nonbanking activities.

Background

For purposes of this proposal, Applicants indicate that a "floorplan loan" is a loan or line of credit provided to an automobile dealership to finance the acquisition of the dealership's inventory for sale to the general public. The automobile dealership repays the floorplan loan as vehicles financed under the loan are sold to consumers. Floorplan lending and retail paper financing are provided by both banks and nonbanks.

Applicants also indicate that "retail paper financing" refers to indirect financing provided to consumers seeking to purchase an automobile from the dealership's inventory, and may consist of either: (1) a retail installment contract between the purchaser and the automobile dealership that is then sold and assigned to a bank ("three-party paper"); or (2) a direct obligation between the purchaser and a bank that is originated by the dealership on behalf of the bank ("two-party paper"). The two types of financing are practically the same, as in each case the automobile serves as security for the loan, the dealer accepts the credit application from the purchaser and forwards it to the bank, and funds are paid directly from the bank to the dealer.

Applicable Law

Section 106 generally prohibits a bank from conditioning the availability of, or varying the consideration charged for, any product or service, on the condition or requirement that a customer:

(1) *Obtain* some additional product or service from such bank or an affiliate; or

1. Deposit data are as of December 31, 1995.

(2) *Provide* some additional product or service to such bank or an affiliate.[2]

Although section 106 applies only when a bank offers the tying product, the Board in 1971 extended the same restrictions to bank holding companies and their nonbank subsidiaries.[3]

Section 106 contains an exception that permits a bank to condition the availability of, or vary the consideration charged for, any product or service on the condition that a customer obtain a "loan, discount, deposit, or trust service", a so called, "traditional bank product", from that bank (the "statutory traditional bank product exception").[4] Section 106 also permits a bank to condition the availability of, or vary the consideration charged for, a product or service on the condition that a customer *provide* some additional product or service to such bank that is "related to and usually provided" in connection with a traditional bank product.[5] These exceptions were created to preserve a customer's ability to negotiate the price of multiple banking services with the bank on the basis of the customer's entire relationship.[6]

The Board may, by regulation or order, grant additional exceptions that are not contrary to the purposes of section 106. Under this authority, the Board has, by rule, extended the statutory traditional bank product exception to permit a bank to vary the consideration charged for a traditional bank product on the condition that a customer obtain another traditional bank product from an affiliate (the "regulatory traditional bank product exception").[7] The Board previously has recognized that granting an exemption, as opposed to an interpretation, provides certainty as to the permissibility of a particular proposal under section 106.

Application of Section 106

Applicants' proposal is a tying arrangement under section 106 because the reduced rate for the floorplan loan is conditioned on the automobile dealership's obtaining a service from (in the case of three-party paper), or providing a service to (in the case of two-party paper), the bank or its affiliates. Most aspects of this proposal, however, are permissible under statutory or regulatory exceptions to section 106.

A three-party paper transaction, for example–in which an automobile dealership sells retail paper financing to a bank - may be considered the equivalent of the dealership's obtaining a discount service from that bank.[8] Because a loan conditioned on a customer's obtaining a "discount" from a bank qualifies for the statutory traditional bank product exception, that exception would permit a bank to offer a reduced rate on a floorplan loan based on the amount of three-party paper sold by an automobile dealership to that bank. Similarly, the regulatory traditional bank product exception would permit a bank to offer a reduced rate on a floorplan loan based on the amount of three-party paper sold by the automobile dealership to an *affiliate* of the bank.[9]

In a two-party paper transaction–in which an automobile dealership acts as a limited purpose agent for a bank and originates loans to purchasers on behalf of the bank–there is no sale or assignment of retail paper, and credit is extended by the bank directly to the automobile purchaser. Because credit is extended by the bank directly to the automobile purchaser, as opposed to being assigned to the bank by the dealership, two-party paper may not be viewed as a loan to the dealership or as the dealership obtaining a discount service from the bank. Thus, two-party paper arrangements would not qualify under either the statutory or regulatory traditional bank product exception.

Two-party paper transactions, however, may qualify for the exception in section 106 that permits a bank to tie the sale of a product (in this case, a loan) to the condition that a customer provide some additional product or service to such bank that is "related to and usually provided in connection with" a traditional bank product (in this case, agency services).[10] Applicants argue that two-party paper financing is "related to and usually provided in connection" with floorplan lending because it is a common practice to obtain retail financing from an entity's floorplan lender. In addition, by providing a source for retail financing, the floorplan lender assists the dealership in selling its inventory, thus facilitating repayment of the floorplan loan. The Consumer Bankers Association also argued that two-party paper transactions qualify under this exception.

2. 12 U.S.C. § 1972(1)(A)-(D). According to the legislative history, "(t)he purpose of this provision is to prohibit anti-competitive practices which require bank customers to accept or provide some other service or product or refrain from dealing with other parties in order to obtain the bank product or service they desire." S. Rep. No. 1084, 91st Cong. 2d Sess. 17 (1970) ("Senate Report").

3. 36 *Federal Register* 10,777 (June 3, 1971); 12 C.F.R. 225.7(a).

4. 12 U.S.C. § 1972(1)(A).

5. 12 U.S.C. § 1972(1)(C).

6. Senate Report at 16–17.

7. 12 C.F.R. 225.7(b)(1).

8. A discount by a bank means a drawback or deduction made upon its advances or loans of money, upon negotiable paper or other evidences of debt payable at a future day, which are transferred to the bank. *Black's Law Dictionary*, 4th Ed. 1968. Under this proposal, retail paper is not typically purchased by the bank at a discount from the "face amount" because the face amount is the principal amount. A bank may pay the automobile dealership an amount (often called a "reserve") above the principal sum. The total amount paid, however, is less than the total amount of principal and interest the bank expects to collect from the obligor over the term of the transaction, and thus the purchase of the paper from the dealership may be characterized as discounting the paper.

9. The Board's anti-tying regulations also would permit nonbank subsidiaries to participate in three-party paper transactions on the same conditions.

10. 12 U.S.C. § 1972(1)(C). Because this exception does not extend to products and services provided to an affiliate of the bank, the Consumer Bankers Association recommended that the Board issue an exception to cover arrangements involving affiliates. The Board will consider this request in connection with its broader review of Regulation Y pursuant to section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994 (Pub. L. No. 103-325, 103d Cong., 1st Sess. (1994)).

Applicability of this exception, however, is a factual issue and would depend on the interpretation of the reviewing court if a private action were brought under 12 U.S.C. § 1975. In addition, this exception would *not* permit a bank to offer the price variance on a floorplan loan based on the amount of two-party paper originated by the dealership on behalf of an *affiliate* of the bank. Accordingly, in order to provide certainty and ensure the permissibility of the entire proposal under section 106, the Board has concluded that an exemption is appropriate.

To the extent that the Applicants' proposal is not already permitted, the Board has concluded that an exemption to permit the entire proposal is consistent with the purposes of section 106. The Senate Report notes that the statutory traditional bank product exception was intended to preserve a customer's ability to negotiate the price of multiple banking services with the bank on the basis of the customer's entire relationship with the bank.[11] Allowing the proposed arrangement would serve this purpose by allowing Applicants to offer volume discounts to dealerships based on their relationship with the bank holding company.

As noted above, Applicants already may offer the proposed price variance using a three-party paper arrangement under the statutory and regulatory traditional bank product exceptions. The requested exemption would give automobile dealerships added flexibility to obtain preferential loan pricing using two-party as well as three-party retail paper financing. Applicants indicate that two-party paper transactions are not subject to an Ohio state law that limits the amount a bank may pay an automobile dealership for the purchase of three-party paper.[12]

This proposal does not raise the concerns about anti-competitive behavior that underlie section 106. Applicants have represented that floorplan loans and retail paper financing would remain separately available to customers at market prices.[13] In addition, automobile dealerships could continue to obtain floorplan loans and retail paper financing from bank and nonbank competitors of the Applicants. Moreover, the market for floorplan loans is national in scope and includes numerous competitors, making it unlikely that Applicants could exercise sufficient market power to impair competition. In this light, Applicants note that competitors of bank holding companies generally offer pricing arrangements similar to the subject proposal.

11. Senate Report at 16–17.

12. Ohio law places a limit of two percent of the principal balance of the retail installment contract upon the transfer or assignment of the contract from a dealership to a bank. *See* Ohio Rev Stat. Ann. § 1317.08 (Supp. 1995). Ohio courts have determined that two-party paper transactions between a bank and the purchaser of an automobile are not subject to state law governing retail installment contracts. *See Vanoy v. Capital Lincoln-Mercury Sales, Inc.*, 88 Ohio App.3d 138 (1993).

13. Under antitrust precedent, concerns about tying arrangements are substantially reduced where the buyer is free to take either product by itself even though the seller also may offer the two items as a unit at a single price. *Northern Pacific R.R. v. United States*, 356 U.S. 1, 6 n.4 (1958).

Conclusion

For the reasons discussed above, the Board has concluded that an exemption in this case is consistent with the legislative authorization to permit exemptions for traditional banking services on the basis of sound economic analysis. The Board, however, reserves the right to terminate the exemption in the future if facts develop indicating that such tying arrangements are resulting in anti-competitive practices.

Based on all the facts of record, and pursuant to its authority under section 106, the Board hereby grants an exemption to permit subsidiary banks and nonbank subsidiaries of the Applicants to offer a floorplan loan at a reduced rate to an automobile dealership based on the amount of retail paper financing sold to the subsidiary (or an affiliate), or originated by the dealership on behalf of the subsidiary (or an affiliate).

This approval is based on the facts and circumstances presented by Applicants, and any material change in those facts or circumstances could result in a different outcome.

By order of the Board of Governors, effective May 23, 1996.

Voting for this action: Chairman Pro Tempore Greenspan and Governors Kelley, Lindsey, Phillips, and Yellen.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

ORDERS ISSUED UNDER INTERNATIONAL BANKING ACT

Swiss Bank Corporation
Basle, Switzerland

Order Approving Establishment of a Representative Office

Swiss Bank Corporation ("Bank"), Basle, Switzerland, a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under section 10(a) of the IBA (12 U.S.C. § 3107(a)) to establish a representative office in Houston, Texas. The Foreign Bank Supervision Enhancement Act of 1991 ("FBSEA"), which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish a representative office in the United States.

Notice of the application, affording interested persons an opportunity to submit comments, has been published in a newspaper of general circulation in Houston, Texas (*The Houston Chronicle*, October 31, 1995). The time for filing comments has expired, and all comments have been considered.

Bank, with total consolidated assets of approximately \$191.0 billion,[1] is the third largest bank in Switzerland,

1. Asset data are as of June 30, 1995.

providing commercial and investment banking services worldwide. The shares of Bank are publicly traded and widely held, with no shareholders owning more than 5 percent of Bank.

In the United States, Bank operates branches in New York, New York; Chicago, Illinois; and San Francisco, California; an agency in Miami, Florida; and a representative office in Los Angeles, California. Bank also engages in a full range of securities activities permissible for bank holding companies through its section 20 subsidiary, SBC Capital Markets Inc., New York, New York, and several other nonbanking subsidiaries.[2] In addition, Bank has applied to the Board to acquire the U.S. operations of S.G. Warburg & Company, a U.K. merchant bank.

Bank's primary purpose for establishing the proposed representative office is to facilitate the expansion of its private banking business in Mexico and throughout the southwestern United States. The proposed representative office would engage in representational and administrative functions related to Bank's private banking activities at the direction of Bank's New York branch.

In acting on an application to establish a representative office, the IBA and Regulation K provide that the Board shall take into account whether the foreign bank engages directly in the business of banking outside of the United States and has furnished to the Board the information it needs to assess the application adequately. The Board also shall take into account whether the foreign bank and any foreign bank parent is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor (12 U.S.C. § 3105(d)(2); 12 C.F.R. 211.24).[3] The Board may also take into account additional standards as set forth in the IBA and Regulation K (12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)).

In this case, with respect to the issue of supervision by home country authorities, the Board has considered the following information. Bank is supervised and regulated by the Swiss Federal Banking Commission ("SFBC"). The SFBC is responsible for the prudential supervision and regulation of credit institutions. The Board previously has determined, in connection with an application involving another Swiss bank, Coutts & Co., AG ("Coutts"), that Coutts was subject to home country supervision on a consolidated basis.[4] Bank is supervised by the SFBC on the same terms and conditions as Coutts. Bank also has provided additional information regarding the supervision and regulation of Bank's activities by entities other than the SFBC. Based on all the facts of record, the Board has determined that Bank is subject to comprehensive supervision and regulation on a consolidated basis by its home country supervisors.

The Board also has taken into account the additional standards set forth in section 7 of the IBA (*See* 12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)). In this regard, the SFBC has approved the establishment of the proposed representative office.

With respect to the financial and managerial resources of Bank, taking into consideration Bank's record of operations in its home country, its overall financial resources, and its standing with its home country supervisors, the Board also has determined that financial and managerial factors are consistent with approval of the proposed representative office. Bank appears to have the experience and capacity to support the proposed representative office and also has established controls and procedures for the proposed representative office to ensure compliance with U.S. law.

Finally, with respect to access to information about Bank's operations, the Board has reviewed the restrictions on disclosure in relevant jurisdictions in which Bank operates and has communicated with relevant government authorities about access to information. Bank has committed to make available to the Board such information on the operations of Bank and any affiliate of Bank that the Board deems necessary to determine and enforce compliance with the IBA, the BHC Act, as amended, and other applicable Federal law. To the extent that the provision of such information may be prohibited by law, Bank has committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties for disclosure. In addition, subject to certain conditions, the SFBC may share information on Bank's operations with other supervisors, including the Board. In light of these commitments and other facts of record, and subject to the condition described below, the Board concludes that Bank has provided adequate assurances of access to any necessary information the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank, as well as the terms and conditions set forth in this order, the Board has determined that Bank's application to establish a representative office should be, and hereby is, approved. Should any restrictions

2. Bank's U.S. nonbanking subsidiaries include SBC Derivatives Inc., Chicago, Illinois; SBC Portfolio Management International Inc. and SBC Resources Management Inc., each of New York, New York; a commercial paper subsidiary; and subsidiaries incorporated to hold property acquired in satisfaction of debts previously contracted.

3. In assessing this standard, the Board considers, among other factors, the extent to which the home country supervisors:

(i) Ensure that the bank has adequate procedures for monitoring and controlling its activities worldwide;

(ii) Obtain information on the condition of the bank and its subsidiaries and offices through regular examination reports, audit reports, or otherwise;

(iii) Obtain information on the dealings with and relationship between the bank and its affiliates, both foreign and domestic;

(iv) Receive from the bank financial reports that are consolidated on a worldwide basis, or comparable information that permits analysis of the bank's financial condition on a worldwide consolidated basis; and

(v) Evaluate prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis.

These are indicia of comprehensive, consolidated supervision. No single factor is essential and other elements may inform the Board's determination.

4. *See Coutts & Co., AG*, 79 *Federal Reserve Bulletin* 636 (1993). *See also Union Bank of Switzerland*, 82 *Federal Reserve Bulletin* 370 (1996).

on access to information on the operations or activities of Bank and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Bank or its affiliates with applicable Federal statutes, the Board may require termination of any of the Bank's direct or indirect activities in the United States. Approval of this application is also specifically conditioned on Bank's compliance with the commitments made in connection with this application, and with the conditions in this order.[5] The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with its decision, and may be enforced in proceedings under 12 U.S.C. § 1818 or 12 U.S.C. § 1847 against Bank, its offices, and its affiliates.

By order of the Board of Governors, effective May 13, 1996.

Voting for this action: Chairman Pro Tempore Greenspan, and Governors Kelley, Phillips, and Yellen. Absent and not voting: Governor Lindsey.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

5. The Board's authority to approve the establishment of the proposed representative office parallels the continuing authority of the Texas State Banking Department to license offices of a foreign bank. The Board's approval of the application does not supplant the authority of the State of Texas, and its agent, the Texas State Banking Department, to license the proposed representative office of Bank in accordance with any terms or conditions that the State of Texas may impose.

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National City Corporation, Cleveland, Ohio	Integra Financial Corporation, Pittsburgh, Pennsylvania Integra Holding Company, Pittsburgh, Pennsylvania Integra Bank, Pittsburg, Pennsylvania Integra Trust Company, National Association, Punxsutawney, Pennsylvania	January 22, 1996	82, 271
North Fork Bancorporation, Inc., Mattituck, New York	Extebank, Stony Brook, New York	February 26, 1996	82, 338
The Royal Bank of Canada, Montreal, Quebec, Canada	MECA Software, L.L.C., Fairfield, Connecticut	February 6, 1996	82, 363
The Royal Bank of Scotland Group plc, Edinburgh, Scotland The Royal Bank of Scotland plc, Edinburgh, Scotland Citizens Financial Group, Inc., Providence, Rhode Island	Bank of Ireland First Holdings, Inc., Manchester, New Hampshire First NH Bank, Manchester, New Hampshire	March 6, 1996	82, 428
The Sumitomo Bank, Limited, Osaka, Japan	The Sumitomo Bank of New York Trust Company, New York, New York Daiwa Bank Trust Company, New York, New York The Daiwa Bank, Limited, Osaka, Japan	February 2, 1996	82, 365
The Sumitomo Bank, Limited, Osaka, Japan	To establish representative offices in Los Angeles and San Francisco, California; Miami and Tampa, Florida; Atlanta, Georgia; Baltimore, Maryland; Boston, Massachusetts; Minneapolis, Minnesota; St. Louis, Missouri; New York, New York; Philadelphia and Pittsburgh, Pennsylvania; and Dallas and Houston, Texas	February 2, 1996	82, 369
UJB Financial Corp., Princeton, New Jersey United Jersey Bank, Hackensack, New Jersey	Flemington National Bank and Trust Company, Flemington, New Jersey	February 5, 1996	82, 343
UJB Financial Corp., Princeton, New Jersey United Jersey Bank, Hackensack, New Jersey	Summit Bancorporation, Chatham, New Jersey Summit Bank, Chatham, New Jersey	February 5, 1996	82, 345
Union Bank of Switzerland, Zurich, Switzerland	To establish a state-licensed limited branch in New York, New York	February 28, 1996	82, 370
Wells Fargo & Company, San Francisco, California	First Interstate Bancorp, Los Angeles, California	March 6, 1996	82, 445

APPLICATIONS APPROVED UNDER BANK HOLDING COMPANY ACT
By the Secretary of the Board

Recent applications have been approved by the Secretary of the Board as listed below. Copies are available upon request to the Freedom of Information Office, Office of the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Section 3

Applicant(s)	Bank(s)	Effective Date
Old National Bancorp, Evansville, Indiana	The National Bank of Carmi, Carmi, Illinois	May 16, 1996
Southwest Bancorporation, Inc., Houston, Texas Southwest Bancorporation of Delaware, Inc., Wilmington, Delaware	Southwest Bank of Texas, N.A., Houston, Texas	May 2, 1996

Sections 3 and 4

Applicant(s)	Nonbanking Activity/Company	Effective Date
U.S. Bancorp, Portland, Oregon	California Bancshares, Inc., San Ramon, California CBI Mortgage, Modesto, California	May 17, 1996

By Federal Reserve Banks

Recent applications have been approved by the Federal Reserve Banks as listed below. Copies are available upon request to the Reserve Banks.

Section 3

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Amundson Family Limited Partnership, Sioux Falls, South Dakota	Beulah Bancorporation, Inc., Sioux Falls, South Dakota	Minneapolis	May 22, 1996
Associated Banc-Corp., Green Bay, Wisconsin Associated Banc-Shares, Inc., Madison, Wisconsin	F&M Bankshares of Reedsburg, Inc., Reedsburg, Wisconsin Farmers and Merchants Bank, Reedsburg, Wisconsin	Chicago	May 3, 1996
BancPlus Corporation Employee Stock Ownership Plan, Belzoni, Mississippi BancPlus Corporation, Belzoni, Mississippi	Home Savings Bank, SSB, Meridian, Mississippi	St. Louis	April 26, 1996
Capitol Bancorp, Limited, Lansing, Michigan	Bank of Tucson, Tucson, Arizona	Chicago	April 24, 1996
CBR Holdings, Inc., Winnetka, Illinois	Community Bank of Ravenswood (In Organization), Chicago, Illinois	Chicago	May 17, 1996

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
CFX Corporation, Keene, New Hampshire	The Safety Fund Corporation, Fitchburg, Massachusetts Safety Fund National Bank, Fitchburg, Massachusetts	Boston	May 16, 1996
Citizens Bank Group, Inc., Prior Lake, Minnesota	Elmore Bancshares, Inc., Elmore, Minnesota	Minneapolis	May 20, 1996
Community First Bankshares, Inc., Fargo, North Dakota	Financial Bancorp, Inc., Trinidad, Colorado	Minneapolis	May 20, 1996
Connecticut Bankshares, MHC, Manchester, Connecticut	The Savings Bank of Manchester, Manchester, Connecticut	Boston	April 29, 1996
Duncanville Bancshares, Inc., Duncanville, Texas	Duncanville National Bank, Duncanville, Texas	Dallas	May 8, 1996
ExecuFirst Bancorp, Inc., Philadelphia, Pennsylvania	Republic Bancorporation, Inc., Philadelphia, Pennsylvania	Philadelphia	May 3, 1996
Figge Bancshares, Inc., Davenport, Iowa	Ossian State Bank, Ossian, Iowa Iowa State Bank, Calmar, Iowa	Chicago	April 30, 1996
First Citizens Bancorp, Cleveland, Tennessee	The Home Bank of Tennessee, Maryville, Tennessee	Atlanta	May 6, 1996
First Commerce Banks of Florida, Inc., Winter Haven, Florida	First Mercantile National Bank, Longwood, Florida	Atlanta	May 3, 1996
First Commercial Corporation, Little Rock, Arkansas State First Financial Corporation, Texarkana, Arkansas	Cedar Creek Bancshares, Inc., Seven Points, Texas	St. Louis	April 29, 1996
First Frederick Financial Corporation, Frederick, Maryland	First Bank of Frederick, Frederick, Maryland	Richmond	May 10, 1996
Higgins Bancorporation, Inc., Rosemount, Minnesota	The First State Bank of Rosemount, Rosemount, Minnesota	Minneapolis	May 8, 1996
Independent Bank Corporation, Ionia, Michigan	North Bank Corporation, Hale, Michigan North Bank, Hale, Michigan	Chicago	May 8, 1996
Independent Bankshares Corporation, Gallatin, Tennessee	Rutherford Bank and Trust, Murfreesboro, Tennessee	Atlanta	May 2, 1996
Lockney Holding Company, Wilmington, Delaware	First State Bank, Silverton, Texas	Dallas	April 29, 1996
Main Street Bancorp, Inc., Princeville, Illinois	Princeville State Bank, Princeville, Illinois	Chicago	May 9, 1996
Marlin Holding, Ltd., Marlin, Texas	Central Financial Bancorp, Inc., Lorena, Texas Central Delaware Financial Bancorp, Inc., Dover, Delaware Lorena State Bank, Lorena, Texas Bank of Troy, Troy, Texas	Dallas	May 9, 1996

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Minor Financial, L.L.C., Marlin, Texas	Marlin Holding, Ltd., Marlin, Texas Central Financial Bancorp, Inc., Lorena, Texas Central Delaware Financial Bancorp, Inc., Dover, Delaware Lorena State Bank, Lorena, Texas Bank of Troy, Troy, Texas	Dallas	May 9, 1996
Monticello Bancshares, Inc., Monticello, Georgia	Bank of Monticello, Monticello, Georgia	Atlanta	May 2, 1996
NationsBank Corporation, Charlotte, North Carolina NB Holdings Corporation, Charlotte, North Carolina	Charter Bankshares, Inc., Houston, Texas	Richmond	April 25, 1996
P.C.B. Bancorp, Inc., Largo, Florida	Premier Community Bank, Venice, Florida	Atlanta	May 16, 1996
Peoples National Bancshares, Inc., New Lexington, Ohio	The Peoples National Bank of New Lexington, New Lexington, Ohio	Cleveland	April 24, 1996
Pioneer Bank, Mapleton, Minnesota	Elmore Bancshares, Inc., Elmore, Minnesota	Minneapolis	May 20, 1996
Security Bank Holding Company, Coos Bay, Oregon Security Banking Holding Company Employee Stock Ownership Plan, Coos Bay, Oregon	Lincoln Security Bank (in organization), Newport, Oregon	San Francisco	May 15, 1996
SNBNY Holdings Limited, Marina Bay, City of Gibraltar	Safra National Bank of New York, New York, New York	New York	May 17, 1996
Sooner Southwest Bankshares, Inc., Bristow, Oklahoma	Southwest Consolidated Life Insurance Company, Bristow, Oklahoma	Kansas City	May 2, 1996
Unicorp Bancshares-Delaware, Inc., Dover, Delaware	First Texas Bank, Vidor, Texas	Dallas	May 1, 1996
Unicorp Bancshares-Delaware, Inc., Dover, Delaware	OrangeBank, Orange, Texas	Dallas	May 1, 1996
Unicorp Bancshares-Texas, Inc., Orange, Texas	Vicor Bancorporation, Inc., Vidor, Texas First Texas Bank, Vidor, Texas	Dallas	May 1, 1996
West Texas National Bancshares, Inc., Lockney, Texas	Silverton Bancshares, Inc., Silverton, Texas First State Bank, Silverton, Texas	Dallas	April 29, 1996

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Bradley County Financial Services, Inc., Cleveland, Tennessee	Tennessee Financial Services, Inc., Cleveland, Tennessee	Atlanta	May 13, 1996
Hartwick Bancshares, Inc., Hartwick, Iowa	To retain its lending and servicing (of loans) activities	Chicago	May 9, 1996
Mahaska Investment Company, Oskaloosa, Iowa	Boatman's Bank Iowa, N.A., Sigourney, Iowa Central Valley Bank, Ottumwa, Iowa	Chicago	May 13, 1996
MidAm, Inc., Bowling Green, Ohio CCB Services, Inc., Clearwater, Florida	Spectrum Check Services, Inc., d.b.a. National Recovery Systems, Clearwater, Florida	Cleveland	April 25, 1996
Montgomery Bancshares, Inc., Montgomery, Illinois	To engage *de novo* in making and servicing loans	Chicago	May 3, 1996
Norwest Corporation, Minneapolis, Minnesota Norwest Financial Services, Inc., Des Moines, Iowa Norwest Financial, Inc., Des Moines, Iowa	Cardinal Credit Corporation, Lexington, Kentucky	Minneapolis	May 3, 1996
Norwest Corporation, Minneapolis, Minnesota	PriMerit Bank, Federal Savings Bank, Las Vegas, Nevada	Minneapolis	May 3, 1996
Peoples Bancorp, Inc., Prarie du Chien, Wisconsin	Northridge Consulting Corp., Prairie du Chien, Wisconsin	Chicago	April 29, 1996
Synovus Financial Corp., Columbus, Georgia TB&C Bancshares, Inc., Columbus, Georgia Total Systems Services, Inc., Columbus, Georgia	To engage *de novo* in merchant data processing activities	Atlanta	April 29, 1996

Sections 3 and 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Home Financial Bancorp, Spencer, Indiana	Owen Community Bank, s.b., Spencer, Indiana	Chicago	May 16, 1996

APPLICATIONS APPROVED UNDER BANK MERGER ACT
By Federal Reserve Banks

Recent applications have been approved by the Federal Reserve Banks as listed below. Copies are available upon request to the Reserve Banks.

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
First Virginia Bank-Shenandoa Valley, Woodstock, Virginia	First Virginia Bank-Central, Charlottesville, Virginia	Richmond	May 23, 1996

Bank Merger Act—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Pioneer Bank, Mapleton, Minnesota	The First National Bank of Elmore, Elmore, Minnesota	Minneapolis	May 20, 1996
Republic Bank, Philadelphia, Pennsylvania	First Executive Bank, Philadelphia, Pennsylvania	Philadelphia	May 3, 1996
WesBanco Bank Wheeling, Wheeling, West Virginia	Bank of Weirton, Weirton, West Virginia	Cleveland	May 21, 1996

Pending Cases Involving the Board of Governors

This list of pending cases does not include suits against the Federal Reserve Banks in which the Board of Governors is not named a party.

Interamericas Investments, Ltd. v. Board of Governors, No. 96–60326 (5th Cir., filed May 8, 1996). Petition for review of order imposing civil money penalties and cease and desist order in enforcement case.

Kuntz v. Board of Governors, No. 96–1137 (D.C. Cir., filed April 25, 1996). Petition for review of a Board order dated March 25, 1996, approving an application by CoreStates Financial Corp., Philadelphia, Pennsylvania to acquire Meridian Bancorp, Inc., Reading, Pennsylvania.

Kuntz v. Board of Governors, No. 96–1079 (D.C. Cir., filed March 7, 1996). Petition for review of a Board order dated February 7, 1996, approving applications by The Fifth Third Bank, Cincinnati, Ohio, and The Firth Third Bank of Columbus, Columbus, Ohio, to acquire certain assets and assume certain liabilities of 25 branches of NBD Bank, Columbus, Ohio. Petitioner has moved to consolidate the case with *Kuntz v. Board of Governors,* No. 95–1495. On April 8, 1996, the Board filed a motion to dismiss the action.

Henderson v. Board of Governors, No. 96–1054 (D.C. Cir., filed February 16, 1996). Petition for review of a Board order dated January 17, 1996, approving the merger of First Citizens BancShares, Inc., Raleigh, North Carolina, with Allied Bank Capital, Inc., Sanford, North Carolina. Petitioners' motion for a stay was denied on March 7, 1996.

Research Triangle Institute v. Board of Governors, No. 1:96CV00102 (M.D.N.C., filed February 12, 1996). Contract dispute. On May 3, 1996, the Board filed a motion to dismiss the action.

In re: Subpoena Duces Tecum, Misc. No. 96-MS-43(TPJ) (D. D.C., filed February 7, 1996). Motion to enforce a subpoena issued to the Board seeking, among other things, bank examination material. The action was dismissed by stipulation on May 16, 1996.

Inner City Press/Community on the Move v. Board of Governors, No. 96-4008 (2nd Cir., filed January 19, 1996). Petition for review of a Board order dated January 5, 1996, approving the applications and notices by Chemical Banking Corporation to merge with The Chase Manhattan Corporation, both of New York, New York, and by Chemical Bank to merge with The Chase Manhattan Bank, N.A., both of New York, New York. Petitioners' motion for an emergency stay of the transaction was denied following oral argument on March 26, 1996. The case has been consolidated for oral argument and decision with *Lee v. Board of Governors,* No. 95–4134 (2d Cir.).

Hotchkiss v. Board of Governors, No. 3:96CV7033 (N.D. Ohio, filed January 19, 1996). Appeal of order of bankruptcy court granting Board's motion for summary judgment in adversary proceeding challenging dischargeability of Board consent order.

Menick v. Greenspan, No. 95-CV-01916 (D. D.C., filed October 10, 1995). Complaint alleging sex, age, and handicap discrimination in employment.

Kuntz v. Board of Governors, No. 95–1495 (D.C. Cir., filed September 21, 1995). Petition for review of Board order dated August 23, 1995, approving the applications of The Fifth Third Bank, Cincinnati, Ohio, to acquire certain assets and assume certain liabilities of 12 branches of PNC Bank, Ohio, N.A., Cincinnati, Ohio, and to establish certain branches. The Board's motion to dismiss was filed on October 26, 1995.

Lee v. Board of Governors, No. 95–4134 (2nd Cir., filed August 22, 1995). Petition for review of Board orders dated July 24, 1995, approving certain steps of a corporate reorganization of U.S. Trust Corporation, New York, New York, and the acquisition of U.S. Trust by Chase Manhattan Corporation, New York, New York. On September 12, 1995, the court denied petitioners' motion for an emergency stay of the Board's orders. The Board's brief was filed on April 16, 1996.

Beckman v. Greenspan, No. 95–35473 (9th Cir., filed May 4, 1995). Appeal of dismissal of action against Board and others seeking damages for alleged violations of constitutional and common law rights. The appellants' brief was filed on June 23, 1995; the Board's brief was filed on July 12, 1995.

Board of Governors v. Scott, Misc. No. 95–127 (LFO/PJA) (D. D.C., filed April 14, 1995). Application to enforce an administrative investigatory subpoena for documents and testimony. On August 3, 1995, the magistrate judge issued an order granting in part and denying in part the Board's application. On September 18, 1995, the intervenor moved for reconsideration of a portion of the magistrate's ruling. On May 6, 1996, the court denied the motion for reconsideration.

Money Station, Inc. v. Board of Governors, No. 95–1182 (D.C. Cir., filed March 30, 1995). Petition for review of a Board order dated March 1, 1995, approving notices by Bank One Corporation, Columbus, Ohio; CoreStates Financial Corp., Philadelphia, Pennsylvania; PNC Bank Corp., Pittsburgh, Pennsylvania; and KeyCorp, Cleveland, Ohio, to acquire certain data processing assets of National City Corporation, Cleveland, Ohio, through a joint venture subsidiary. On April 23, 1996, the court vacated the Board's order.

In re Subpoena Duces Tecum, Misc. No. 95–06 (D.D.C., filed January 6, 1995). Action to enforce subpoena seeking predecisional supervisory documents sought in connection with an action by Bank of New England Corporation's trustee in bankruptcy against the Federal Deposit Insurance Corporation. The Board filed its opposition on January 20, 1995. Oral argument on the motion was held July 14, 1995.

Board of Governors v. Pharaon, No. 91-CIV-6250 (S.D. New York, filed September 17, 1991). Action to freeze assets of individual pending administrative adjudication of civil money penalty assessment by the Board. On September 17, 1991, the court issued an order temporarily restraining the transfer or disposition of the individual's assets.

Final Enforcement Orders Issued by the Board of Governors

Ricardo Colon
New York, New York

The Federal Reserve Board announced on May 23, 1996, the issuance of an Order of Removal and Prohibition against Ricardo Colon, the Controller of the New York branch of Banca Nacionale Dell'Agricultore, Rome, Italy.

Michael Galietta
New York, New York

The Federal Reserve Board announced on May 14, 1996, the issuance of an Order of Prohibition against Michael Galietta, a former securities trader at Deutsche Morgan Grenfell/C.J. Lawrence, Inc., New York, New York, a nonbank subsidiary of the Deutsche Bank AG, Frankfurt, Germany.

Howard S. Miller, Barry S. Winter, and Keith E. Leonard
New York, New York

The Federal Reserve Board announced on May 22, 1996, the issuance of combined Orders to Cease and Desist and of Assessment of Civil Money Penalties against Howard S. Miller, Barry S. Winter, and Keith E. Leonard, former institution-affiliated parties of The Sequor Group, Inc., New York, New York, a former nonbank subsidiary of Security Pacific Corporation, Los Angeles, California, a former bank holding company.

Written Agreements Approved by Federal Reserve Banks

Keyesport Bancshares, Inc.
Keyesport, Illinois

The Federal Reserve Board announced on May 14, 1996, the execution of a Written Agreement between the Federal Reserve Bank of St. Louis and Keyesport Bancshares, Inc., Keyesport, Illinois.

Financial and Business Statistics

Guide to Tabular Presentation

SYMBOLS AND ABBREVIATIONS

c	Corrected
e	Estimated
n.a.	Not available
n.e.c.	Not elsewhere classified
p	Preliminary
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)
0	Calculated to be zero
. . .	Cell not applicable
ATS	Automatic transfer service
BIF	Bank insurance fund
CD	Certificate of deposit
CMO	Collateralized mortgage obligation
FFB	Federal Financing Bank
FHA	Federal Housing Administration
FHLBB	Federal Home Loan Bank Board
FHLMC	Federal Home Loan Mortgage Corporation
FmHA	Farmers Home Administration
FNMA	Federal National Mortgage Association
FSLIC	Federal Savings and Loan Insurance Corporation
G-7	Group of Seven
G-10	Group of Ten
GNMA	Government National Mortgage Association
GDP	Gross domestic product
HUD	Department of Housing and Urban Development
IMF	International Monetary Fund
IO	Interest only
IPCs	Individuals, partnerships, and corporations
IRA	Individual retirement account
MMDA	Money market deposit account
MSA	Metropolitan statistical area
NOW	Negotiable order of withdrawal
OCD	Other checkable deposit
OPEC	Organization of Petroleum Exporting Countries
OTS	Office of Thrift Supervision
PO	Principal only
REIT	Real estate investment trust
REMIC	Real estate mortgage investment conduit
RP	Repurchase agreement
RTC	Resolution Trust Corporation
SAIF	Savings Association Insurance Fund
SCO	Securitized credit obligation
SDR	Special drawing right
SIC	Standard Industrial Classification
VA	Department of Veterans Affairs

GENERAL INFORMATION

In many of the tables, components do not sum to totals because of rounding.

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

1.10 RESERVES, MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES

Percent annual rate of change, seasonally adjusted[1]

Monetary or credit aggregate	1995			1996	1995	1996[r]			
	Q2	Q3	Q4	Q1	Dec.	Jan.	Feb.	Mar.	Apr.
Reserves of depository institutions[2]									
1 Total	−7.5	−1.5	−6.9	−7.9[r]	.7	−16.1	−16.4	19.2	−11.7
2 Required	−6.6	−2.5	−7.7	−8.5	−6.6	−21.0	−2.7	13.2	−11.6
3 Nonborrowed	−8.2	−2.4	−6.4	−6.5	−.5	−11.5	−16.3	19.6	−13.2
4 Monetary base[3]	5.8	1.7	2.7	1.5[r]	5.0	.4	−4.1	8.8	−.7
Concepts of money, liquid assets, and debt[4]									
5 M1	−.4	−1.5	−5.1	−2.7[r]	−4.4	−6.1	−2.0	10.0	−3.1
6 M2	3.8	6.9	3.9	5.6	5.5	4.8	5.0	11.1	1.2
7 M3	6.3	8.0	4.4	7.0	3.7[r]	7.5	9.8	10.6	1.3
8 L	7.3	9.1	5.9[r]	5.0	5.3	4.1	4.3	12.2	n.a.
9 Debt	7.0	4.6	4.5	4.4	3.6	2.8	5.5	6.9	n.a.
Nontransaction components									
10 In M2[5]	5.8	10.9	8.1	9.3[r]	9.9	9.7	8.1	11.6	3.0
11 In M3 only[6]	16.9	12.1	6.3	12.7[r]	−3.7[r]	18.3	28.9	8.6	1.9
Time and savings deposits									
Commercial banks									
12 Savings, including MMDAs	−6.5	9.0	13.1	22.6	23.2	28.2	16.5	25.2	8.8
13 Small time[7]	20.4	11.0	3.9	.6[r]	1.7	4.6	−3.9	−8.5	−8.8
14 Large time[8,9]	13.6	13.1	19.4	8.8[r]	6.0	−6.3	19.7	27.7	9.1
Thrift institutions									
15 Savings, including MMDAs	−14.5	−7.3	−2.8	−.3	−2.7	−3.0	6.0	5.7	14.3
16 Small time[7]	23.5	4.3	4.7	−2.0	3.7	−8.0	1.0	−9.1	−2.0
17 Large time[8]	16.7	13.7	8.0	6.2[r]	4.8	16.0	1.6	−9.5	1.6
Money market mutual funds									
18 Retail	14.2	36.9	16.5	14.7	13.0	9.0	15.6	32.6	2.7
19 Institution-only	30.5	27.6	10.3	27.9	12.8	18.0	69.2	21.6	−13.0
Repurchase agreements and Eurodollars									
20 Repurchase agreements[10]	7.4	−5.0	−14.6[r]	1.3[r]	−49.9[r]	45.9	11.7	−13.5	−4.6
21 Eurodollars[10]	18.6	9.4	−6.7[r]	18.2[r]	7.9	60.5	16.3	−34.6	26.7
Debt components[4]									
22 Federal	5.4	4.6	2.3	1.9	−.4	−3.8	6.1	13.1	n.a.
23 Nonfederal	7.6	4.7	5.3	5.3	5.0	5.1	5.3	4.7	n.a.

1. Unless otherwise noted, rates of change are calculated from average amounts outstanding during preceding month or quarter.

2. Figures incorporate adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.20.)

3. The seasonally adjusted, break-adjusted monetary base consists of (1) seasonally adjusted, break-adjusted total reserves (line 1), plus (2) the seasonally adjusted currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all weekly reporters whose vault cash exceeds their required reserves) the seasonally adjusted, break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

4. Composition of the money stock measures and debt is as follows:

M1: (1) currency outside the U.S. Treasury, Federal Reserve Banks, and the vaults of depository institutions, (2) travelers checks of nonbank issuers, (3) demand deposits at all commercial banks other than those owed to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float, and (4) other checkable deposits (OCDs), consisting of negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at depository institutions, credit union share draft accounts, and demand deposits at thrift institutions. Seasonally adjusted M1 is computed by summing currency, travelers checks, demand deposits, and OCDs, each seasonally adjusted separately.

M2: M1 plus (1) savings (including MMDAs), (2) small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and (3) balances in retail money market mutual funds (money funds with minimum initial investments of less than $50,000). Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Seasonally adjusted M2 is calculated by summing savings deposits, small-denomination time deposits, and retail money fund balances, each seasonally adjusted separately, and adding this result to seasonally adjusted M1.

M3: M2 plus (1) large-denomination time deposits (in amounts of $100,000 or more), (2) balances in institutional money funds (money funds with minimum initial investments of $50,000 or more), (3) RP liabilities (overnight and term) issued by all depository institutions, and (4) Eurodollars (overnight and term) held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Seasonally adjusted M3 is calculated by summing large time deposits, institutional money fund balances, RP liabilities, and Eurodollars, each seasonally adjusted separately, and adding this result to seasonally adjusted M2.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, net of money market fund holdings of these assets. Seasonally adjusted L is computed by summing U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, and then adding this result to M3.

Debt: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S. government, not including government-sponsored enterprises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households and nonprofit organizations, nonfinancial corporate and nonfarm noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax-exempt and corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data, which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month-end levels).

5. Sum of (1) savings deposits (including MMDAs), (2) small time deposits, and (3) retail money fund balances, each seasonally adjusted separately.

6. Sum of (1) large time deposits, (2) institutional money fund balances, (3) RP liabilities (overnight and term) issued by depository institutions, and (4) Eurodollars (overnight and term) of U.S. addressees, each seasonally adjusted separately.

7. Small time deposits—including retail RPs—are those issued in amounts of less than $100,000. All IRA and Keogh account balances at commercial banks and thrift institutions are subtracted from small time deposits.

8. Large time deposits are those issued in amounts of $100,000 or more, excluding those booked at international banking facilities.

9. Large time deposits at commercial banks less those held by money market funds, depository institutions, the U.S. government, and foreign banks and official institutions.

10. Includes both overnight and term.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT[1]

Millions of dollars

Factor	Average of daily figures			Average of daily figures for week ending on date indicated						
	1996			1996						
	Feb.	Mar.	Apr.	Mar. 13	Mar. 20	Mar. 27	Apr. 3	Apr. 10	Apr. 17	Apr. 24
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	408,620	414,343	418,391	414,687	415,312	414,640	415,778	418,171	420,131	421,821
U.S. government securities[2]										
2 Bought outright—System account	373,807	377,309	378,891	377,113	377,692	376,932	377,477	377,055	379,270	380,152
3 Held under repurchase agreements	215	2,398	4,566	2,591	2,724	3,077	3,501	6,337	5,830	6,126
Federal agency obligations										
4 Bought outright	2,634	2,559	2,492	2,568	2,539	2,533	2,526	2,521	2,491	2,491
5 Held under repurchase agreements	26	417	180	314	403	560	1,000	57	22	266
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	27	10	57	5	6	10	27	34	4	179
8 Seasonal credit	7	10	33	7	10	13	13	19	24	36
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	1,139	614[r]	315	1,270	747	204	16	775	397	140
11 Other Federal Reserve assets	30,764	31,025	31,857	30,819	31,190	31,312	31,218	31,372	32,094	32,431
12 Gold stock	11,053	11,053	11,052	11,053	11,053	11,053	11,053	11,053	11,053	11,052
13 Special drawing rights certificate account	10,168	10,168	10,168	10,168	10,168	10,168	10,168	10,168	10,168	10,168
14 Treasury currency outstanding	24,151[r]	24,221[r]	24,281	24,208[r]	24,222[r]	24,236[r]	24,250	24,264	24,278	24,292
ABSORBING RESERVE FUNDS										
15 Currency in circulation	412,827[r]	415,770[r]	418,246	415,780[r]	416,343[r]	415,916[r]	417,212	419,098	419,308	417,635
16 Treasury cash holdings	276	297	312	282	313	304	314	318	319	319
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	4,953	5,610	7,318	5,507	7,235	5,048	6,017	5,986	7,655	8,251
18 Foreign	220	186	187	181	171	194	180	212	189	180
19 Service-related balances and adjustments	6,005	5,992	5,938	6,429	5,743	6,035	5,928	5,867	5,800	6,053
20 Other	386	394	370	392	385	371	404	372	363	366
21 Other Federal Reserve liabilities and capital	12,600	13,022	12,813	13,309	12,928	12,872	12,635	12,789	12,950	12,898
22 Reserve balances with Federal Reserve Banks[3]	16,724	18,515	18,709	18,237	17,636	19,357	18,558	19,014	19,047	21,632

Factor	End-of-month figures			Wednesday figures						
	Feb.	Mar.	Apr.	Mar. 13	Mar. 20	Mar. 27	Apr. 3	Apr. 10	Apr. 17	Apr. 24
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	409,894	415,996[r]	416,892	423,455	413,340	421,052	415,555	420,600	428,785	436,292
U.S. government securities[2]										
2 Bought outright—System account	376,519	377,056	381,806	377,459	378,383	376,787	379,389	377,189	379,827	380,316
3 Held under repurchase agreements	0	3,896	0	10,493	0	8,236	1,903	8,148	13,412	17,544
Federal agency obligations										
4 Bought outright	2,634	2,526	2,444	2,539	2,539	2,526	2,526	2,491	2,491	2,491
5 Held under repurchase agreements	0	1,000	0	1,100	0	2,089	1,000	400	152	1,820
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	12	34	21	6	7	26	8	0	1	78
8 Seasonal credit	6	9	71	8	14	12	17	20	34	51
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	393	28[r]	821	447	1,331	−237	−230	818	336	302
11 Other Federal Reserve assets	30,330	31,447	31,728	31,404	31,066	31,613	30,943	31,534	32,532	33,691
12 Gold stock	11,053	11,053	11,052	11,053	11,053	11,053	11,053	11,053	11,053	11,052
13 Special drawing rights certificate account	10,168	10,168	10,168	10,168	10,168	10,168	10,168	10,168	10,168	10,168
14 Treasury currency outstanding	24,194[r]	24,250[r]	24,306	24,208[r]	24,222[r]	24,236[r]	24,250	24,264	24,278	24,292
ABSORBING RESERVE FUNDS										
15 Currency in circulation	414,008[r]	416,261[r]	417,681	417,026[r]	416,651[r]	417,509[r]	419,012	420,545	419,404	417,793
16 Treasury cash holdings	279	314	288	313	313	314	317	319	319	316
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	5,632	7,021	11,042	5,205	4,444	4,593	4,485	5,000	15,668	7,837
18 Foreign	209	191	166	166	168	172	165	201	224	210
19 Service-related balances and adjustments	5,763	5,928[r]	6,055	6,429	5,743	6,035	5,928	5,867	5,800	6,053
20 Other	318	348	360	376	375	375	368	365	358	370
21 Other Federal Reserve liabilities and capital	13,062	12,714	12,559	12,968	12,664	12,695	12,284	12,793	12,755	12,771
22 Reserve balances with Federal Reserve Banks[3]	16,038	18,690[r]	14,268	26,402	18,424	24,816	18,466	20,995	19,758	36,455

1. Amounts of cash held as reserves are shown in table 1.12, line 2.
2. Includes securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.
3. Excludes required clearing balances and adjustments to compensate for float.

1.12 RESERVES AND BORROWINGS Depository Institutions[1]

Millions of dollars

Reserve classification	Prorated monthly averages of biweekly averages									
	1993	1994	1995	1995			1996			
	Dec.	Dec.	Dec.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[r]	Apr.
1 Reserve balances with Reserve Banks[2]	29,374	24,658	20,440	20,055	20,066	20,440	17,763	16,792	18,426	19,181
2 Total vault cash[3]	36,818	40,378	42,117	40,564	40,576	42,117	44,790	42,205	40,968	40,967
3 Applied vault cash[4]	33,484	36,682	37,460	36,345	36,332	37,460	39,170	36,957	36,458	36,688
4 Surplus vault cash[5]	3,334	3,696	4,657	4,219	4,244	4,657	5,620	5,248	4,510	4,278
5 Total reserves[6]	62,858	61,340	57,900	56,400	56,397	57,900	56,934	53,749	54,884	55,869
6 Required reserves	61,795	60,172	56,622	55,319	55,454	56,622	55,449	52,898	53,747	54,750
7 Excess reserve balances at Reserve Banks[7]	1,063	1,168	1,278	1,081	943	1,278	1,485	851	1,137	1,120
8 Total borrowings at Reserve Banks[8]	82	209	257	245	204	257	38	35	21	91
9 Seasonal borrowings	31	100	40	199	73	40	7	7	10	34
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0

Reserve classification	Biweekly averages of daily figures for two week periods ending on dates indicated									
	1996									
	Jan. 3	Jan. 17	Jan. 31	Feb. 14	Feb. 28	Mar. 13	Mar. 27	Apr. 10[r]	Apr. 24	May 8
1 Reserve balances with Reserve Banks[2]	21,558	19,658	15,055	15,546	17,938	18,192	18,492	18,954	20,331	16,877
2 Total vault cash[3]	41,865	44,166	46,042	44,132	40,326	41,536	40,438	40,977	40,478	42,089
3 Applied vault cash[4]	37,353	39,104	39,626	38,455	35,468	36,845	36,011	36,767	36,417	37,190
4 Surplus vault cash[5]	4,513	5,062	6,416	5,677	4,858	4,691	4,428	4,210	4,061	4,900
5 Total reserves[6]	58,910	58,762	54,681	54,001	53,406	55,037	54,502	55,721	56,748	54,066
6 Required reserves	57,313	57,143	53,356	53,288	52,436	53,926	53,346	54,567	55,629	53,002
7 Excess reserve balances at Reserve Banks[7]	1,597	1,619	1,326	713	970	1,111	1,156	1,154	1,119	1,064
8 Total borrowings at Reserve Banks[8]	218	22	16	24	47	15	20	47	122	92
9 Seasonal borrowings	34	4	5	7	8	8	12	16	30	71
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0

1. Data in this table also appear in the Board's H.3 (502) weekly statistical release. For ordering address, see inside front cover. Data are not break-adjusted or seasonally adjusted.
2. Excludes required clearing balances and adjustments to compensate for float and includes other off-balance-sheet "as-of" adjustments.
3. Total "lagged" vault cash held by depository institutions subject to reserve requirements. Dates refer to the maintenance periods during which the vault cash may be used to satisfy reserve requirements. The maintenance period for weekly reporters ends sixteen days after the lagged computation period during which the vault cash is held. Before Nov. 25, 1992, the maintenance period ended thirty days after the lagged computation period.
4. All vault cash held during the lagged computation period by "bound" institutions (that is, those whose required reserves exceed their vault cash) plus the amount of vault cash applied during the maintenance period by "nonbound" institutions (that is, those whose vault cash exceeds their required reserves) to satisfy current reserve requirements.
5. Total vault cash (line 2) less applied vault cash (line 3).
6. Reserve balances with Federal Reserve Banks (line 1) plus applied vault cash (line 3).
7. Total reserves (line 5) less required reserves (line 6).
8. Also includes adjustment credit.
9. Consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market effect of extended credit is similar to that of nonborrowed reserves.

1.13 SELECTED BORROWINGS IN IMMEDIATELY AVAILABLE FUNDS Large Banks[1]

Millions of dollars, averages of daily figures

Source and maturity	1996, week ending Monday								
	Mar. 4	Mar. 11	Mar. 18	Mar. 25	Apr. 1	Apr. 8	Apr. 15	Apr. 22	Apr. 29
Federal funds purchased, repurchase agreements, and other selected borrowings									
From commercial banks in the United States									
1 For one day or under continuing contract	89,298	88,072	85,953	82,749	83,135	93,383	90,606	87,706	81,920
2 For all other maturities	12,094	12,728	13,992	13,801	13,693	15,245	13,622	15,649	17,657
From other depository institutions, foreign banks and official institutions, and U.S. government agencies									
3 For one day or under continuing contract	19,808	19,374	20,324	20,481	20,235	20,089	23,383	24,078	19,054
4 For all other maturities	18,516	18,016	17,783	18,461	17,583	17,066	17,877	18,141	19,418
Repurchase agreements on U.S. government and federal agency securities									
Brokers and nonbank dealers in securities									
5 For one day or under continuing contract	23,815	23,082	24,885	25,606	24,315	14,939	21,031	19,212	16,707
6 For all other maturities	27,495	28,792	31,675	32,780[r]	28,287	33,927	32,227	37,802	40,479
All other customers									
7 For one day or under continuing contract	39,309	39,309	38,241	36,351	35,665	34,918	36,844	34,546	35,314
8 For all other maturities	14,547	14,716	14,135	14,061	14,188	18,634	13,684	13,150	13,962
MEMO									
Federal funds loans and resale agreements in immediately available funds in maturities of one day or under continuing contract									
9 To commercial banks in the United States	61,942	59,641	61,193	60,964	59,288	65,123	64,862	64,377	68,117
10 To all other specified customers[2]	33,460	27,534	27,535	23,729	23,208	27,200	26,093	25,851	26,548

1. Banks with assets of $4 billion or more as of Dec. 31, 1988.
Data in this table also appear in the Board's H.5 (507) weekly statistical release. For ordering address, see inside front cover.
2. Brokers and nonbank dealers in securities, other depository institutions, foreign banks and official institutions, and U.S. government agencies.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Current and previous levels

Federal Reserve Bank	Adjustment credit[1]			Seasonal credit[2]			Extended credit[3]		
	On 6/7/96	Effective date	Previous rate	On 6/7/96	Effective date	Previous rate	On 6/7/96	Effective date	Previous rate
Boston	5.00	2/1/96	5.25	5.30	6/6/96	5.30	5.80	6/6/96	5.80
New York		1/31/96							
Philadelphia		1/31/96							
Cleveland		1/31/96							
Richmond		2/1/96							
Atlanta		1/31/96							
Chicago		2/1/96							
St. Louis		2/5/96							
Minneapolis		1/31/96							
Kansas City		2/1/96							
Dallas		1/31/96							
San Francisco	5.00	1/31/96	5.25	5.30	6/6/96	5.30	5.80	6/6/96	5.80

Range of rates for adjustment credit in recent years[4]

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1977	6	6
1978—Jan. 9	6–6.5	6.5
20	6.5	6.5
May 11	6.5–7	7
12	7	7
July 3	7–7.25	7.25
10	7.25	7.25
Aug. 21	7.75	7.75
Sept. 22	8	8
Oct. 16	8–8.5	8.5
20	8.5	8.5
Nov. 1	8.5–9.5	9.5
3	9.5	9.5
1979—July 20	10	10
Aug. 17	10–10.5	10.5
20	10.5	10.5
Sept. 19	10.5–11	11
21	11	11
Oct. 8	11–12	12
10	12	12
1980—Feb. 15	12–13	13
19	13	13
May 29	12–13	13
30	12	12
June 13	11–12	11
16	11	11
July 28	10–11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
8	13	13
1981—May 5	13–14	14
8	14	14
1981—Nov. 2	13–14	13
6	13	13
Dec. 4	12	12
1982—July 20	11.5–12	11.5
23	11.5	11.5
Aug. 2	11–11.5	11
3	11	11
16	10.5	10.5
27	10–10.5	10
30	10	10
Oct. 12	9.5–10	9.5
13	9.5	9.5
Nov. 22	9–9.5	9
26	9	9
Dec. 14	8.5–9	9
15	8.5–9	8.5
17	8.5	8.5
1984—Apr. 9	8.5–9	9
13	9	9
Nov. 21	8.5–9	8.5
26	8.5	8.5
Dec. 24	8	8
1985—May 20	7.5–8	7.5
24	7.5	7.5
1986—Mar. 7	7–7.5	7
10	7	7
Apr. 21	6.5–7	6.5
23	6.5	6.5
July 11	6	6
Aug. 21	5.5–6	5.5
22	5.5	5.5
1987—Sept. 4	5.5–6	6
11	6	6
1988—Aug. 9	6–6.5	6.5
11	6.5	6.5
1989—Feb. 24	6.5–7	7
27	7	7
1990—Dec. 19	6.5	6.5
1991—Feb. 1	6–6.5	6
4	6	6
Apr. 30	5.5–6	5.5
May 2	5.5	5.5
Sept. 13	5–5.5	5
17	5	5
Nov. 6	4.5–5	4.5
7	4.5	4.5
Dec. 20	3.5–4.5	3.5
24	3.5	3.5
1992—July 2	3–3.5	3
7	3	3
1994—May 17	3–3.5	3.5
18	3.5	3.5
Aug. 16	3.5–4	4
18	4	4
Nov. 15	4–4.75	4.75
17	4.75	4.75
1995—Feb. 1	4.75–5.25	5.25
9	5.25	5.25
1996—Jan. 31	5.00–5.25	5.00
Feb. 5	5.00	5.00
In effect June 7, 1996	5.00	5.00

1. Available on a short-term basis to help depository institutions meet temporary needs for funds that cannot be met through reasonable alternative sources. The highest rate established for loans to depository institutions may be charged on adjustment credit loans of unusual size that result from a major operating problem at the borrower's facility.

2. Available to help relatively small depository institutions meet regular seasonal needs for funds that arise from a clear pattern of intrayearly movements in their deposits and loans and that cannot be met through special industry lenders. The discount rate on seasonal credit takes into account rates charged by market sources of funds and ordinarily is reestablished on the first business day of each two-week reserve maintenance period; however, it is never less than the discount rate applicable to adjustment credit.

3. May be made available to depository institutions when similar assistance is not reasonably available from other sources, including special industry lenders. Such credit may be provided when exceptional circumstances (including sustained deposit drains, impaired access to money market funds, or sudden deterioration in loan repayment performance) or practices involve only a particular institution, or to meet the needs of institutions experiencing difficulties adjusting to changing market conditions over a longer period (particularly at times of deposit disintermediation). The discount rate applicable to adjustment credit ordinarily is charged on extended-credit loans outstanding less than thirty days; however, at the discretion of the Federal Reserve Bank, this time period may be shortened. Beyond this initial period, a flexible rate somewhat above rates charged on market sources of funds is charged. The rate ordinarily is reestablished on the first business day of each two-week reserve maintenance period, but it is never less than the discount rate applicable to adjustment credit plus 50 basis points.

4. For earlier data, see the following publications of the Board of Governors: *Banking and Monetary Statistics, 1914–1941*, and *1941–1970*; and the *Annual Statistical Digest, 1970–1979*.

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment-credit borrowings by institutions with deposits of $500 million or more that had borrowed in successive weeks or in more than four weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980, through May 7, 1980. A surcharge of 2 percent was reimposed on Nov. 17, 1980; the surcharge was subsequently raised to 3 percent on Dec. 5, 1980, and to 4 percent on May 5, 1981. The surcharge was reduced to 3 percent effective Sept. 22, 1981, and to 2 percent effective Oct. 12, 1981. As of Oct. 1, 1981, the formula for applying the surcharge was changed from a calendar quarter to a moving thirteen-week period. The surcharge was eliminated on Nov. 17, 1981.

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Type of deposit	Requirement	
	Percentage of deposits	Effective date
Net transaction accounts[2]		
1 $0 million–$52.0 million[3]	3	12/19/95
2 More than $52.0 million[4]	10	12/19/95
3 Nonpersonal time deposits[5]	0	12/27/90
4 Eurocurrency liabilities[6]	0	12/27/90

1. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. Nonmember institutions may maintain reserve balances with a Federal Reserve Bank indirectly, on a pass-through basis, with certain approved institutions. For previous reserve requirements, see earlier editions of the *Annual Report* or the *Federal Reserve Bulletin*. Under the Monetary Control Act of 1980, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge Act corporations.

2. Transaction accounts include all deposits against which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, or telephone or preauthorized transfers for the purpose of making payments to third persons or others. However, money market deposit accounts (MMDAs) and similar accounts subject to the rules that permit no more than six preauthorized, automatic, or other transfers per month, of which no more than three may be checks, are savings deposits, not transaction accounts.

3. The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage change in transaction accounts held by all depository institutions, determined as of June 30 of each year. Effective Dec. 19, 1995, the amount was decreased from $54.0 million to $52.0 million.

Under the Garn–St Germain Depository Institutions Act of 1982, the Board adjusts the amount of reservable liabilities subject to a zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is made in the event of a decrease. The exemption applies only to accounts that would be subject to a 3 percent reserve requirement. Effective Dec. 19, 1995, the exemption was raised from $4.2 million to $4.3 million.

4. The reserve requirement was reduced from 12 percent to 10 percent on Apr. 2, 1992, for institutions that report weekly, and on Apr. 16, 1992, for institutions that report quarterly.

5. For institutions that report weekly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to 1½ percent for the maintenance period that began Dec. 13, 1990, and to zero for the maintenance period that began Dec. 27, 1990. For institutions that report quarterly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to zero on Jan. 17, 1991.

The reserve requirement on nonpersonal time deposits with an original maturity of 1½ years or more has been zero since Oct. 6, 1983.

6. The reserve requirement on Eurocurrency liabilities was reduced from 3 percent to zero in the same manner and on the same dates as was the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years (see note 5).

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction and maturity	1993	1994	1995	1995 Sept.	1995 Oct.	1995 Nov.	1995 Dec.	1996 Jan.	1996 Feb.	1996 Mar.
U.S. TREASURY SECURITIES										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	17,717	17,484	10,932	409	1,350	4,271	0	0	0	0
2 Gross sales	0	0	0	0	0	0	0	0	0	0
3 Exchanges	332,229	376,277	398,487	30,333	29,397	39,057	31,535	31,476	39,332	30,556
4 Redemptions	0	0	900	0	900	0	0	0	0	0
Others within one year										
5 Gross purchases	1,223	1,238	390	0	0	0	390	0	0	0
6 Gross sales	0	0	0	0	0	0	0	0	0	0
7 Maturity shifts	31,368	0	0	0	1,745	6,108	0	2,048	2,746	0
8 Exchanges	−36,582	−21,444	0	0	−2,049	−4,937	0	−3,287	−7,575	0
9 Redemptions	0	0	0	485	0	0	0	1,228	0	0
One to five years										
10 Gross purchases	10,350	9,168	4,966	100	0	0	2,317	0	0	0
11 Gross sales	0	0	0	0	0	0	0	0	0	0
12 Maturity shifts	−27,140	−6,004	0	0	−1,745	−5,292	0	−2,048	−1,908	0
13 Exchanges	0	17,801	0	0	2,049	3,237	0	3,287	5,175	0
Five to ten years										
14 Gross purchases	4,168	3,818	1,239	0	0	400	0	0	0	0
15 Gross sales	0	0	0	0	0	0	0	0	0	0
16 Maturity shifts	0	−3,145	0	0	0	−816	0	0	−818	0
17 Exchanges	0	2,903	0	0	0	1,700	0	0	1,500	0
More than ten years										
18 Gross purchases	3,457	3,606	3,122	100	0	0	1,884	0	0	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shifts	0	−918	0	0	0	0	0	0	−20	0
21 Exchanges	0	775	0	0	0	0	0	0	900	0
All maturities										
22 Gross purchases	36,915	35,314	20,649	609	1,350	4,671	4,591	0	0	0
23 Gross sales	0	0	0	0	0	0	0	0	0	0
24 Redemptions	767	2,337	2,376	0	1,385	0	0	1,228	0	0
Matched transactions										
25 Gross purchases	1,475,941	1,700,836	2,197,736	195,830	216,755	226,340	227,858	260,425	274,290	251,623
26 Gross sales	1,475,085	1,701,309	2,202,030	198,587	213,161	228,419	228,071	259,186	275,979	251,086
Repurchase agreements										
27 Gross purchases	475,447	309,276	331,694	43,286	28,825	44,569	34,325	16,040	6,230	31,602
28 Gross sales	470,723	311,898	328,497	39,896	32,980	39,876	28,546	28,802	6,230	27,706
29 Net change in U.S. Treasury securities	41,729	29,882	17,175	1,241	−597	7,285	10,157	−12,751	−1,689	4,433
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	0	0	0	0	0	0	0	0	0	0
31 Gross sales	0	0	0	0	0	0	0	0	0	0
32 Redemptions	774	1,002	1,303	46	83	120	58	0	0	108
Repurchase agreements										
33 Gross purchases	35,063	52,696	36,851	1,434	3,740	3,763	2,888	9,793	765	5,640
34 Gross sales	34,669	52,696	36,776	1,459	3,605	3,973	1,788	10,893	765	4,640
35 Net change in federal agency obligations	−380	−1,002	−1,228	−71	52	−330	1,042	−1,100	0	892
36 Total net change in System Open Market Account	**41,348**	**28,880**	**15,948**	**1,170**	**−545**	**6,955**	**11,199**	**−13,851**	**−1,689**	**5,325**

1. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings.

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements[1]

Millions of dollars

Account	Wednesday					End of month		
	1996					1996		
	Mar. 27	Apr. 3	Apr. 10	Apr. 17	Apr. 24	Feb. 29	Mar. 31	Apr. 30
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,053	11,053	11,053	11,053	11,052	11,053	11,053	11,052
2 Special drawing rights certificate account	10,168	10,168	10,168	10,168	10,168	10,168	10,168	10,168
3 Coin	560	562	561	573	577	547	579	574
Loans								
4 To depository institutions	38	25	20	35	129	18	43	93
5 Other	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements	0	0	0	0	0	0	0	0
Federal agency obligations								
7 Bought outright	2,526	2,526	2,491	2,491	2,491	2,634	2,526	2,444
8 Held under repurchase agreements	2,089	1,000	400	152	1,820	0	1,000	0
9 Total U.S. Treasury securities	**385,023**	**381,292**	**385,337**	**393,239**	**397,860**	**376,519**	**380,952**	**381,806**
10 Bought outright[2]	376,787	379,389	377,189	379,827	380,316	376,519	377,056	381,806
11 Bills	182,933	188,633	183,335	183,282	183,771	182,666	183,202	185,262
12 Notes	148,885	145,787	148,885	150,102	150,102	148,885	148,885	150,102
13 Bonds	44,969	44,969	44,969	46,443	46,443	44,969	44,969	46,443
14 Held under repurchase agreements	8,236	1,903	8,148	13,412	17,544	0	3,896	0
15 Total loans and securities	**389,675**	**384,842**	**388,248**	**395,917**	**402,300**	**379,171**	**384,521**	**384,343**
16 Items in process of collection	5,148	6,468	6,279	6,674	5,789	4,791	4,197	8,452
17 Bank premises	1,149	1,150	1,154	1,159	1,159	1,140	1,150	1,158
Other assets								
18 Denominated in foreign currencies[3]	20,246	19,988	19,996	20,005	20,012	20,212	19,985	19,705
19 All other[4]	10,164	10,116	10,428	11,166	12,281	8,965	10,333	10,760
20 Total assets	**448,163**	**444,347**	**447,887**	**456,714**	**463,338**	**436,048**	**441,986**	**446,211**
LIABILITIES								
21 Federal Reserve notes	394,146	395,641	397,160	396,018	394,393	390,640	392,903	394,236
22 Total deposits	**36,115**	**30,232**	**32,526**	**41,628**	**50,676**	**28,135**	**32,301**	**31,975**
23 Depository institutions	30,974	25,215	26,959	25,379	42,260	21,768	24,740	20,407
24 U.S. Treasury—General account	4,593	4,485	5,000	15,668	7,837	5,632	7,021	11,042
25 Foreign—Official accounts	172	165	201	224	210	209	191	166
26 Other	375	368	365	358	370	318	348	360
27 Deferred credit items	5,208	6,190	5,407	6,314	5,497	4,211	4,069	7,441
28 Other liabilities and accrued dividends[5]	4,206	4,067	4,316	4,300	4,304	4,158	4,261	4,061
29 Total liabilities	**439,674**	**436,130**	**439,409**	**448,259**	**454,871**	**427,144**	**433,534**	**437,713**
CAPITAL ACCOUNTS								
30 Capital paid in	4,036	4,039	4,008	4,010	4,022	4,031	4,037	4,023
31 Surplus	3,966	3,966	3,966	3,966	3,966	3,945	3,966	3,957
32 Other capital accounts	486	213	503	478	478	928	449	518
33 Total liabilities and capital accounts	**448,163**	**444,347**	**447,887**	**456,714**	**463,338**	**436,048**	**441,986**	**446,211**
MEMO								
34 Marketable U.S. Treasury securities held in custody for foreign and international accounts	545,127	554,993	562,062	559,241	544,205	536,476	550,496	550,662
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to Banks)	505,705	505,725	506,465	506,737	507,770	501,002	506,144	507,928
36 LESS: Held by Federal Reserve Banks	111,559	110,084	109,305	110,719	113,377	110,362	113,241	113,691
37 Federal Reserve notes, net	394,146	395,641	397,160	396,018	394,393	390,640	392,903	394,236
Collateral held against notes, net								
38 Gold certificate account	11,053	11,053	11,053	11,053	11,052	11,053	11,053	11,052
39 Special drawing rights certificate account	10,168	10,168	10,168	10,168	10,168	10,168	10,168	10,168
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	372,925	374,420	375,940	374,797	373,173	369,419	371,682	373,017
42 Total collateral	**394,146**	**395,641**	**397,160**	**396,018**	**394,393**	**390,640**	**392,903**	**394,236**

1. Some of the data in this table also appear in the Board's H.4.1 (503) weekly statistical release. For ordering address, see inside front cover.
2. Includes securities loaned—fully guaranteed by U.S. Treasury securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.
3. Valued monthly at market exchange rates.
4. Includes special investment account at the Federal Reserve Bank of Chicago in Treasury bills maturing within ninety days.
5. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign exchange commitments.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holding

Millions of dollars

Type of holding and maturity	Wednesday					End of month		
	1996					1996		
	Mar. 27	Apr. 3	Apr. 10	Apr. 17	Apr. 24	Feb. 29	Mar. 31	Apr. 30
1 **Total loans**	**38**	**25**	**19**	**35**	**129**	**35**	**43**	**92**
2 Within fifteen days[1]	33	12	7	33	125	32	36	59
3 Sixteen days to ninety days	5	13	13	2	4	3	7	33
4 **Total U.S. Treasury securities**	**385,023**	**381,292**	**385,337**	**393,239**	**397,860**	**376,519**	**377,056**	**381,806**
5 Within fifteen days[1]	23,309	21,157	17,442	28,380	33,277	4,962	8,963	15,945
6 Sixteen days to ninety days	87,710	93,257	93,331	87,638	87,362	87,722	99,039	91,464
7 Ninety-one days to one year	114,825	109,232	113,820	114,231	114,231	124,656	109,875	111,381
8 One year to five years	89,228	87,694	90,792	91,969	91,969	89,228	89,228	91,995
9 Five years to ten years	32,151	32,151	32,151	32,299	32,299	32,151	32,151	32,299
10 More than ten years	37,801	37,801	37,801	38,721	38,721	37,801	37,801	38,721
11 **Total federal agency obligations**	**4,614**	**3,526**	**2,891**	**2,643**	**4,310**	**2,634**	**2,526**	**2,443**
12 Within fifteen days[1]	2,369	1,000	447	353	2,021	415	280	154
13 Sixteen days to ninety days	569	839	792	670	670	510	569	685
14 Ninety-one days to one year	600	610	610	578	578	615	600	577
15 One year to five years	526	526	526	526	526	543	526	512
16 Five years to ten years	527	527	492	492	492	527	527	492
17 More than ten years	25	25	25	25	25	25	25	25

1. Holdings under repurchase agreements are classified as maturing within fifteen days in accordance with maximum maturity of the agreements.

NOTE. Total acceptances data have been deleted from this table because data are no longer available.

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE[1]

Billions of dollars, averages of daily figures

Item	1992 Dec.	1993 Dec.	1994 Dec.	1995 Dec.	1995 Sept.	1995 Oct.	1995 Nov.	1995 Dec.	1996 Jan.	1996 Feb.	1996 Mar.[r]	1996 Apr.
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]	Seasonally adjusted											
1 Total reserves[3]	54.37	60.52	59.36	56.36	57.34	56.84	56.33	56.36	55.61	54.85	55.73	55.18
2 Nonborrowed reserves[4]	54.24	60.44	59.16	56.11	57.07	56.59	56.13	56.11	55.57	54.81	55.71	55.09
3 Nonborrowed reserves plus extended credit[5]	54.24	60.44	59.16	56.11	57.07	56.59	56.13	56.11	55.57	54.81	55.71	55.09
4 Required reserves	53.21	59.46	58.20	55.09	56.39	55.76	55.39	55.09	54.12	54.00	54.59	54.06
5 Monetary base[6]	351.24	386.88	418.72	435.01	431.69	432.74	433.21	435.01	435.17[r]	433.67[r]	436.86	436.60
	Not seasonally adjusted											
6 Total reserves[7]	56.06	62.37	61.13	58.02	57.30	56.56	56.57	58.02	56.95	53.80	54.97	56.00
7 Nonborrowed reserves	55.93	62.29	60.92	57.76	57.03	56.31	56.37	57.76	56.91	53.77	54.95	55.91
8 Nonborrowed reserves plus extended credit[5]	55.93	62.29	60.92	57.76	57.03	56.31	56.37	57.76	56.91	53.77	54.95	55.91
9 Required reserves[8]	54.90	61.31	59.96	56.74	56.35	55.48	55.63	56.74	55.47	52.95	53.84	54.88
10 Monetary base[9]	354.55	390.59	422.51	439.03	431.64	431.60	433.22	439.03	436.01[r]	430.29[r]	434.85	437.08
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 Total reserves[11]	56.54	62.86	61.34	57.90	57.16	56.40	56.40	57.90	56.93	53.75	54.88	55.87
12 Nonborrowed reserves	56.42	62.78	61.13	57.64	56.88	56.15	56.19	57.64	56.90	53.72	54.86	55.78
13 Nonborrowed reserves plus extended credit[5]	56.42	62.78	61.13	57.64	56.88	56.15	56.19	57.64	56.90	53.72	54.86	55.78
14 Required reserves	55.39	61.80	60.17	56.62	56.21	55.32	55.45	56.62	55.45	52.90	53.75	54.75
15 Monetary base[12]	360.90	397.62	427.25	444.45	436.20	436.34	438.19	444.45	441.96[r]	436.26[r]	440.75	442.91
16 Excess reserves[13]	1.16	1.06	1.17	1.28	.95	1.08	.94	1.28	1.49	.85	1.14	1.12
17 Borrowings from the Federal Reserve	.12	.08	.21	.26	.28	.25	.20	.26	.04	.04	.02	.09

1. Latest monthly and biweekly figures are available from the Board's H.3 (502) weekly statistical release. Historical data starting in 1959 and estimates of the effect on required reserves of changes in reserve requirements are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

2. Figures reflect adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.10.)

3. Seasonally adjusted, break-adjusted total reserves equal seasonally adjusted, break-adjusted required reserves (line 4) plus excess reserves (line 16).

4. Seasonally adjusted, break-adjusted nonborrowed reserves equal seasonally adjusted, break-adjusted total reserves (line 1) less total borrowings of depository institutions from the Federal Reserve (line 17).

5. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market effect of extended credit is similar to that of nonborrowed reserves.

6. The seasonally adjusted, break-adjusted monetary base consists of (1) seasonally adjusted, break-adjusted total reserves (line 1), plus (2) the seasonally adjusted currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the seasonally adjusted, break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

7. Break-adjusted total reserves equal break-adjusted required reserves (line 9) plus excess reserves (line 16).

8. To adjust required reserves for discontinuities that are due to regulatory changes in reserve requirements, a multiplicative procedure is used to estimate what required reserves would have been in past periods had current reserve requirements been in effect. Break-adjusted required reserves include required reserves against transactions deposits and nonpersonal time and savings deposits (but not reservable nondeposit liabilities).

9. The break-adjusted monetary base equals (1) break-adjusted total reserves (line 6), plus (2) the (unadjusted) currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

10. Reflects actual reserve requirements, including those on nondeposit liabilities, with no adjustments to eliminate the effects of discontinuities associated with regulatory changes in reserve requirements.

11. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements.

12. The monetary base, not break-adjusted and not seasonally adjusted, consists of (1) total reserves (line 11), plus (2) required clearing balances and adjustments to compensate for float at Federal Reserve Banks, plus (3) the currency component of the money stock, plus (4) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the difference between current vault cash and the amount applied to satisfy current reserve requirements. Since the introduction of contemporaneous reserve requirements in February 1984, currency and vault cash figures have been measured over the computation periods ending on Mondays.

13. Unadjusted total reserves (line 11) less unadjusted required reserves (line 14).

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES[1]

Billions of dollars, averages of daily figures

Item	1992 Dec.	1993 Dec.	1994 Dec.	1995 Dec.	1996[r] Jan.	1996[r] Feb.	1996[r] Mar.	1996[r] Apr.
	Seasonally adjusted							
Measures[2]								
1 M1	1,024.4	1,128.6	1,148.7	1,124.9	1,119.2	1,117.3	1,126.6	1,123.7
2 M2	3,438.7	3,494.1	3,509.4	3,660.3	3,675.0	3,690.3	3,724.4	3,728.0
3 M3	4,187.3	4,249.6	4,319.7	4,573.7[r]	4,602.3	4,640.0	4,680.8	4,685.9
4 L	5,075.8	5,164.5	5,303.7	5,684.4[r]	5,704.0	5,724.4	5,782.4	n.a.
5 Debt	11,881.7	12,516.4	13,153.2	13,871.3	13,903.2	13,966.8	14,047.0	n.a.
M1 components								
6 Currency[3]	292.9	322.4	354.9	373.2	373.6	373.3	375.2	375.9
7 Travelers checks[4]	8.1	7.9	8.5	8.9	8.9	8.9	8.9	8.9
8 Demand deposits[5]	339.1	384.3	382.4	389.8	393.5	397.4	407.1	406.3
9 Other checkable deposits[6]	384.2	414.0	402.9	353.0	343.2	337.8	335.4	332.6
Nontransaction components								
10 In M2[7]	2,414.3	2,365.4	2,360.7	2,535.4	2,555.8	2,573.0	2,597.8	2,604.3
11 In M3 only[8]	748.6	755.6	810.3	913.4[r]	927.3	949.6	956.4	957.9
Commercial banks								
12 Savings deposits, including MMDAs	754.1	785.0	751.9	775.0	793.2	804.1	821.0	827.0
13 Small time deposits[9]	509.3	470.4	505.4	576.2	578.4	576.5	572.4	568.2
14 Large time deposits[10, 11]	286.6	272.3	298.7	342.4	340.6	346.2	354.2	356.9
Thrift institutions								
15 Savings deposits, including MMDAs	433.0	433.8	397.0	359.5	358.6	360.4	362.1	366.4
16 Small time deposits[9]	361.9	317.6	318.2	359.5	357.1	357.4	354.7	354.1
17 Large time deposits[10]	67.1	61.5	64.8	75.0	76.0	76.1	75.5	75.6
Money market mutual funds								
18 Retail	356.0	358.7	388.1	465.1	468.6	474.7	487.6	488.7
19 Institution-only	199.8	197.9	183.7	227.2	230.6	243.9	248.3	245.6
Repurchase agreements and Eurodollars								
20 Repurchase agreements[12]	128.1	157.5	180.8	177.6[r]	184.4	186.2	184.1	183.4
21 Eurodollars[12]	66.9	66.3	82.3	91.2[r]	95.8	97.1	94.3	96.4
Debt components								
22 Federal debt	3,068.6	3,328.3	3,497.6	3,644.6	3,633.0	3,651.4	3,691.2	n.a.
23 Nonfederal debt	8,813.1	9,188.1	9,655.6	10,226.7	10,270.2	10,315.4	10,355.8	n.a.
	Not seasonally adjusted							
Measures[2]								
24 M1	1,046.0	1,153.7	1,174.2	1,150.7	1,128.1	1,103.6	1,115.9	1,130.0
25 M2	3,455.1	3,514.1	3,529.8	3,679.9[r]	3,676.7	3,670.8	3,717.2	3,740.9
26 M3	4,205.3	4,271.3	4,341.5	4,594.8[r]	4,606.9	4,621.1	4,670.7	4,690.7
27 L	5,103.1	5,194.2	5,333.2	5,714.0[r]	5,717.4	5,713.6	5,783.3	n.a.
28 Debt	11,883.2	12,509.3	13,145.8	13,858.0	13,897.6	13,950.0	14,019.1	n.a.
M1 components								
29 Currency[3]	295.0	324.8	357.5	376.1	371.7	370.8	374.3	375.8
30 Travelers checks[4]	7.8	7.6	8.1	8.5	8.5	8.5	8.6	8.6
31 Demand deposits[5]	354.4	401.8	400.1	407.9	399.0	388.3	397.5	406.1
32 Other checkable deposits[6]	388.9	419.4	408.4	358.1	348.9	336.0	335.5	339.5
Nontransaction components								
33 In M2[7]	2,409.1	2,360.4	2,355.6	2,529.2	2,548.7	2,567.2	2,601.3	2,610.9
34 In M3 only[8]	750.2	757.1	811.7	914.8[r]	930.2	950.3	953.5	949.8
Commercial banks								
35 Savings deposits, including MMDAs	752.9	784.3	751.6	775.0	789.5	798.9	819.0	826.0
36 Small time deposits[9]	507.8	468.2	502.5	572.3	576.1	575.5	573.6	570.1
37 Large time deposits[10, 11]	286.2	272.1	298.5	342.3	337.9	344.7	352.6	354.1
Thrift institutions								
38 Savings deposits, including MMDAs	432.4	433.4	396.9	359.5	356.9	358.1	361.2	365.9
39 Small time deposits[9]	360.9	316.1	316.4	357.0[r]	355.7	356.8	355.5	355.3
40 Large time deposits[10]	67.0	61.5	64.8	75.0	75.4	75.8	75.2	75.0
Money market mutual funds								
41 Retail	355.1	358.3	388.2	465.4	470.6	478.0	492.1	493.5
42 Institution-only	201.1	199.4	185.5	229.4	238.2	249.6	248.7	242.8
Repurchase agreements and Eurodollars								
43 Repurchase agreements[12]	127.2	156.6	179.6	176.1[r]	183.1	183.5	182.3	182.8
44 Eurodollars[12]	68.7	67.6	83.4	91.9[r]	95.6	96.7	94.7	95.0
Debt components								
45 Federal debt	3,069.8	3,329.5	3,499.0	3,645.9	3,632.7	3,650.5	3,689.8	n.a.
46 Nonfederal debt	8,813.4	9,179.8	9,646.8	10,212.1	10,264.9	10,299.5	10,329.3	n.a.

Footnotes appear on following page.

NOTES TO TABLE 1.21

1. Latest monthly and weekly figures are available from the Board's H.6 (508) weekly statistical release. Historical data starting in 1959 are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

2. Composition of the money stock measures and debt is as follows:

M1: (1) currency outside the U.S. Treasury, Federal Reserve Banks, and the vaults of depository institutions, (2) travelers checks of nonbank issuers, (3) demand deposits at all commercial banks other than those owed to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float, and (4) other checkable deposits (OCDs), consisting of negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at depository institutions, credit union share draft accounts, and demand deposits at thrift institutions. Seasonally adjusted M1 is computed by summing currency, travelers checks, demand deposits, and OCDs, each seasonally adjusted separately.

M2: M1 plus (1) savings deposits (including MMDAs), (2) small-denomination time deposits (time deposits—including retail RPs—in amounts of less than \$100,000), and (3) balances in retail money market mutual funds (money funds with minimum initial investments of less than \$50,000). Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Seasonally adjusted M2 is calculated by summing savings deposits, small-denomination time deposits, and retail money fund balances, each seasonally adjusted separately, and adding this result to seasonally adjusted M1.

M3: M2 plus (1) large-denomination time deposits (in amounts of \$100,000 or more) issued by all depository institutions, (2) balances in institutional money funds (money funds with minimum initial investments of \$50,000 or more), (3) RP liabilities (overnight and term) issued by all depository institutions, and (4) Eurodollars (overnight and term) held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Seasonally adjusted M3 is calculated by summing large time deposits, institutional money fund balances, RP liabilities, and Eurodollars, each seasonally adjusted separately, and adding this result to seasonally adjusted M2.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, net of money market fund holdings of these assets. Seasonally adjusted L is computed by summing U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, and then adding this result to M3.

Debt: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S. government, not including government-sponsored enterprises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households and nonprofit organizations, nonfinancial corporate and nonfarm noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax-exempt and corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data, which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month-end levels).

3. Currency outside the U.S. Treasury, Federal Reserve Banks, and vaults of depository institutions.

4. Outstanding amount of U.S. dollar-denominated travelers checks of nonbank issuers. Travelers checks issued by depository institutions are included in demand deposits.

5. Demand deposits at commercial banks and foreign-related institutions other than those owed to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float.

6. Consists of NOW and ATS account balances at all depository institutions, credit union share draft account balances, and demand deposits at thrift institutions.

7. Sum of (1) savings deposits (including MMDAs), (2) small time deposits, and (3) retail money fund balances.

8. Sum of (1) large time deposits, (2) institutional money fund balances, (3) RP liabilities (overnight and term) issued by depository institutions, and (4) Eurodollars (overnight and term) of U.S. addressees.

9. Small time deposits—including retail RPs—are those issued in amounts of less than \$100,000. All IRAs and Keogh accounts at commercial banks and thrift institutions are subtracted from small time deposits.

10. Large time deposits are those issued in amounts of \$100,000 or more, excluding those booked at international banking facilities.

11. Large time deposits at commercial banks less those held by money market funds, depository institutions, the U.S. government, and foreign banks and official institutions.

12. Includes both overnight and term.

1.22 DEPOSIT INTEREST RATES AND AMOUNTS OUTSTANDING Commercial and BIF-insured saving banks[1]

Item	1993 Dec.	1994 Dec.	1995[r] Aug.	1995[r] Sept.	1995[r] Oct.	1995[r] Nov.	1995[r] Dec.	1996 Jan.	1996 Feb.	1996 Mar.[r]	1996 Apr.
	Interest rates (annual effective yields)[2]										
INSURED COMMERCIAL BANKS											
1 Negotiable order of withdrawal accounts	1.86	1.96	1.93	1.92	1.91	1.93	1.92	1.92	1.93	1.87	1.91
2 Savings deposits[3]	2.46	2.92	3.12	3.12	3.11	3.13	3.10	3.01	2.98	2.91	2.91
Interest-bearing time deposits with balances of less than $100,000, by maturity											
3 7 to 91 days	2.65	3.79	4.10	4.10	4.11	4.13	4.11	4.01	4.00	4.03	4.02
4 92 to 182 days	2.91	4.44	4.77	4.75	4.75	4.74	4.69	4.57	4.47	4.50	4.52
5 183 days to 1 year	3.13	5.12	5.15	5.13	5.15	5.11	5.03	4.92	4.80	4.84	4.87
6 More than 1 year to 2½ years	3.55	5.74	5.39	5.32	5.31	5.27	5.18	5.03	4.90	4.95	5.03
7 More than 2½ years	4.28	6.30	5.63	5.59	5.56	5.49	5.41	5.26	5.11	5.19	5.28
BIF-INSURED SAVINGS BANKS[4]											
8 Negotiable order of withdrawal accounts	1.87	1.94	1.98	2.00	1.98	1.94	1.91	1.85	1.84	1.83	1.86
9 Savings deposits[3]	2.63	2.87	2.96	2.95	2.96	2.99	2.99	2.95	2.92	2.86	2.85
Interest-bearing time deposits with balances of less than $100,000, by maturity											
10 7 to 91 days	2.81	3.80	4.34	4.27	4.32	4.43	4.44	4.38	4.29	4.39	4.44
11 92 to 182 days	3.02	4.89	5.12	5.07	5.05	5.02	4.95	4.87	4.79	4.77	4.78
12 183 days to 1 year	3.31	5.52	5.45	5.35	5.31	5.28	5.19	5.07	4.93	4.91	4.93
13 More than 1 year to 2½ years	3.67	6.09	5.60	5.52	5.51	5.47	5.32	5.22	5.11	5.16	5.24
14 More than 2½ years	4.62	6.43	5.78	5.73	5.68	5.64	5.47	5.34	5.25	5.25	5.33
	Amounts outstanding (millions of dollars)										
INSURED COMMERCIAL BANKS											
15 Negotiable order of withdrawal accounts	305,237	304,896	267,644	253,568	258,175	257,099	252,434	248,464	246,847[r]	224,358	235,356
16 Savings deposits[3]	767,035	737,068	735,930	746,351	745,932	753,123	793,168	774,748	798,270[r]	844,670	818,594
17 Personal	598,276	580,438	575,204	585,762	585,894	588,995	628,372	617,570	634,402[r]	675,354	650,125
18 Nonpersonal	168,759	156,630	160,726	160,589	160,038	164,128	164,796	157,177	163,869[r]	169,316	168,469
Interest-bearing time deposits with balances of less than $100,000, by maturity											
19 7 to 91 days	29,362	32,265	30,937	29,794	29,903	31,090	32,807	34,275	36,359[r]	36,181	34,865
20 92 to 182 days	109,050	96,650	90,796	92,250	93,392	95,494	96,902	96,811	99,914[r]	100,573	99,712
21 183 days to 1 year	145,386	163,062	189,565	189,664	187,729	184,665	187,828	186,068	188,683[r]	192,010	196,371
22 More than 1 year to 2½ years	139,781	164,395	204,453	204,869	206,579	208,329	211,388	214,093	214,340[r]	213,907	213,121
23 More than 2½ years	180,461	192,712	201,306	201,006	199,479	199,375	203,227	200,849	202,156[r]	203,102	202,127
24 IRA and Keogh plan deposits	144,011	144,097	150,648	150,298	150,142	149,727	152,390	152,984	155,296[r]	156,480	160,145
BIF-INSURED SAVINGS BANKS[4]											
25 Negotiable order of withdrawal accounts	11,191	11,175	10,999	10,884	10,789	11,088	12,727	11,410	11,984	12,106	12,148
26 Savings deposits[3]	80,376	70,082	66,478	67,726	67,732	68,345	71,402	67,540	71,006	70,571	71,979
27 Personal	77,263	67,159	63,149	64,519	64,432	64,932	67,919	64,172	67,679	67,269	68,453
28 Nonpersonal	3,113	2,923	3,329	3,207	3,300	3,413	3,482	3,369	3,327	3,302	3,526
Interest-bearing time deposits with balances of less than $100,000, by maturity											
29 7 to 91 days	2,746	2,144	1,856	1,656	1,691	1,819	2,115	1,988	2,288[r]	2,297	2,362
30 92 to 182 days	12,974	11,361	11,079	10,757	10,790	11,394	12,754	12,581	13,979[r]	14,212	14,975
31 183 days to 1 year	17,469	18,391	22,294	23,654	24,006	24,833	27,072	26,750	28,323[r]	27,991	29,372
32 More than 1 year to 2½ years	16,589	17,787	25,029	26,558	26,678	27,149	28,966	26,968	27,805[r]	26,788	26,868
33 More than 2½ years	20,501	21,293	22,563	22,251	22,411	22,552	24,247	22,769	22,676[r]	23,506	23,731
34 IRA and Keogh plan accounts	19,791	19,008	20,333	21,029	21,042	21,230	21,949	21,229	21,137	21,373	21,308

1. BIF, Bank Insurance Fund. Data in this table also appear in the Board's H.6 (508) Special Supplementary Table monthly statistical release. For ordering address, see inside front cover. Estimates are based on data collected by the Federal Reserve System from a stratified random sample of about 425 commercial banks and 75 savings banks on the last day of each month. Data are not seasonally adjusted and include IRA and Keogh deposits and foreign currency-denominated deposits. Data exclude retail repurchase agreements and deposits held in U.S. branches and agencies of foreign banks.

2. As of October 31, 1994, interest rate data for NOW accounts and savings deposits reflect a series break caused by a change in the survey used to collect these data.

3. Includes personal and nonpersonal money market deposits.

4. Includes both mutual and federal savings banks.

1.23 BANK DEBITS AND DEPOSIT TURNOVER[1]

Debits are in billions of dollars; turnover is ratio of debits to deposits; monthly data are at annual rates

Bank group, or type of deposit	1993[2]	1994[2]	1995[2]	1995				1996	
				Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.
DEBITS	Seasonally adjusted								
Demand deposits[3]									
1 All insured banks	334,784.1	369,029.1	397,649.3	397,843.6	413,927.0	409,460.9	397,538.3	430,520.9	447,959.0
2 Major New York City banks	171,224.3	191,168.8	201,161.4	207,576.7	210,336.6	204,484.0	203,977.5	229,379.9	238,537.8
3 Other banks	163,559.7	177,860.3	196,487.9	190,266.9	203,590.4	204,976.9	193,560.8	201,141.0	209,421.2
4 Other checkable deposits[4]	3,481.5	3,798.6	4,207.4	4,366.8	4,690.4	4,891.5	4,595.5	4,960.4	5,034.7
5 Savings deposits (including MMDAs)[5]	3,497.4	3,766.3	4,507.8	4,898.4	5,328.6	5,679.4	5,703.6	6,025.7	6,397.1
DEPOSIT TURNOVER									
Demand deposits[3]									
6 All insured banks	785.9	817.4	874.1	858.0	907.5	905.5	852.7	917.1	950.8
7 Major New York City banks	4,198.1	4,481.5	4,867.3	5,018.0	5,269.7	5,222.3	5,069.7	5,368.0	5,852.3
8 Other banks	424.6	435.1	475.2	450.5	489.2	496.3	454.4	471.4	486.6
9 Other checkable deposits[4]	11.9	12.6	15.4	16.3	18.0	19.1	18.6	20.8	21.6
10 Savings deposits (including MMDAs)[5]	4.6	4.9	6.1	6.6	7.1	7.5	7.4	7.7	8.1
DEBITS	Not seasonally adjusted								
Demand deposits[3]									
11 All insured banks	334,899.2	369,121.8	397,657.8	395,203.2	413,547.6	398,219.1	411,802.7	429,312.7	414,902.5
12 Major New York City banks	171,283.5	191,226.0	201,182.6	207,994.2	212,506.0	202,744.5	210,780.0	227,293.7	222,007.5
13 Other banks	163,615.7	177,895.7	196,475.3	187,209.0	201,041.7	195,474.6	201,022.7	202,019.0	192,895.0
14 Other checkable deposits[4]	3,481.7	3,795.6	4,202.6	4,431.9	4,565.4	4,566.6	4,784.8	5,385.9	4,638.5
15 Savings deposits (including MMDAs)[5]	3,498.3	3,764.4	4,500.8	4,849.1	5,075.1	5,388.7	6,013.9	6,299.0	5,790.3
DEPOSIT TURNOVER									
Demand deposits[3]									
16 All insured banks	786.1	818.2	874.6	856.4	895.4	860.5	847.5	895.6	901.1
17 Major New York City banks	4,197.9	4,490.3	4,873.1	5,069.5	5,292.2	5,046.6	4,900.9	5,109.7	5,427.5
18 Other banks	424.8	435.3	475.4	445.3	476.7	462.5	453.9	464.5	459.8
19 Other checkable deposits[4]	11.9	12.6	15.3	16.7	17.7	17.8	19.0	22.0	19.9
20 Savings deposits (including MMDAs)[5]	4.6	4.9	6.1	6.6	6.8	7.1	7.8	8.1	7.3

1. Historical tables containing revised data for earlier periods can be obtained from the Publications Section, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, DC 20551.

Data in this table also appear in the Board's G.6 (406) monthly statistical release. For ordering address, see inside front cover.

2. Annual averages of monthly figures.

3. Represents accounts of individuals, partnerships, and corporations and of states and political subdivisions.

4. As of January 1994, other checkable deposits (OCDs), previously defined as automatic transfer to demand deposits (ATSs) and negotiable order of withdrawal (NOW) accounts, were expanded to include telephone and preauthorized transfer accounts. This change redefined OCDs for debits data to be consistent with OCDs for deposits data.

5. Money market deposit accounts.

1.26 ASSETS AND LIABILITIES OF COMMERCIAL BANKS[1]

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1995	1995			1996[r]				1996			
	Apr.	Oct.	Nov.	Dec.[r]	Jan.	Feb.	Mar.	Apr.	Apr. 3	Apr. 10	Apr. 17	Apr. 24
ALL COMMERCIAL BANKING INSTITUTIONS	Seasonally adjusted											
Assets												
1 Bank credit	3,466.0	3,579.1[r]	3,591.0[r]	3,603.1	3,630.4	3,640.3	3,631.4	3,647.3	3,629.7	3,643.7	3,645.5	3,648.6
2 Securities in bank credit	991.8	986.1[r]	987.0	988.7	988.9	993.7	977.7	976.7	964.2	975.7	975.2	977.8
3 U.S. government securities	708.7	713.3	714.5[r]	710.8	702.9	715.8	705.1	704.9	700.4	707.1	703.3	704.3
4 Other securities	283.1	272.9	272.4	277.9	286.1	278.0	272.6	271.8	263.9	268.6	271.9	273.5
5 Loans and leases in bank credit[2]	2,474.2	2,593.0[r]	2,604.1[r]	2,614.4	2,641.4	2,646.6	2,653.7	2,670.6	2,665.5	2,668.1	2,670.4	2,670.8
6 Commercial and industrial	680.8	709.4[r]	713.6[r]	716.6	722.5	725.5	723.2	728.8	725.8	728.2	728.3	728.0
7 Real estate	1,036.5	1,076.0[r]	1,078.1[r]	1,079.3	1,086.2	1,089.2	1,094.0	1,095.5	1,092.7	1,095.8	1,097.3	1,096.4
8 Revolving home equity	76.6	78.5	78.8	79.1	79.7	79.9	79.8	80.0	79.2	79.3	80.3	80.3
9 Other	959.9	997.5[r]	999.3[r]	1,000.2	1,006.5	1,009.3	1,014.2	1,015.6	1,013.5	1,016.5	1,016.9	1,016.1
10 Consumer	470.3	489.9[r]	492.9[r]	495.7	500.4	500.6	503.7	506.2	505.0	505.7	507.3	506.4
11 Security[3]	77.8	86.9	86.9	83.7	84.9	85.6	85.0	85.4	87.7	81.4	85.1	85.7
12 Other	208.8	230.8[r]	232.6[r]	239.2	247.5	245.6	247.8	254.6	254.3	257.0	252.4	254.3
13 Interbank loans[4]	182.4	194.0	196.4	196.8	204.0	194.2	205.4	212.3	201.6	216.7	206.1	215.4
14 Cash assets[5]	210.1	222.3	216.2	223.7	233.1	219.1	215.7	221.6	217.7	217.9	213.5	235.6
15 Other assets[6]	224.8	228.1	231.4	239.8	236.3	242.7	241.6	243.5	242.8	245.8	243.7	242.0
16 **Total assets**[7]	**4,026.3**	**4,166.8**[r]	**4,178.5**[r]	**4,207.0**	**4,247.0**	**4,239.8**	**4,237.4**	**4,267.9**	**4,235.0**	**4,267.4**	**4,252.0**	**4,284.7**
Liabilities												
17 Deposits	2,560.0	2,644.2	2,642.1	2,659.2	2,687.1	2,680.9	2,701.3	2,717.2	2,718.6	2,709.2	2,717.7	2,719.9
18 Transaction	792.6	778.6	768.2	773.9	783.3	766.6	768.4	771.9	771.1	771.3	773.6	770.6
19 Nontransaction	1,767.4	1,865.6	1,873.9	1,885.3	1,903.8	1,914.3	1,933.0	1,945.3	1,947.5	1,938.0	1,944.1	1,949.3
20 Large time	387.0	422.8	423.3	421.3	421.6	425.7	428.2	432.3	432.4	426.3	430.2	436.9
21 Other	1,380.4	1,442.8	1,450.6	1,464.0	1,482.1	1,488.5	1,504.8	1,513.0	1,515.1	1,511.7	1,513.9	1,512.5
22 Borrowings	676.7	683.3[r]	674.7[r]	690.6	705.3	691.4	687.2	707.7	682.8	706.6	693.5	720.1
23 From banks in the U.S.	183.9	199.0[r]	198.5[r]	198.4	208.3	195.6	207.8	210.1	197.1	217.3	204.0	212.0
24 From nonbanks in the U.S.	492.8	484.3	476.2	492.2	497.0	495.8	479.3	497.6	485.7	489.3	489.5	508.1
25 Net due to related foreign offices	236.5	257.6	263.8	262.9	270.0	276.4	261.3	254.5	256.1	253.8	252.9	263.5
26 Other liabilities[8]	227.4	222.8[r]	226.5[r]	236.7	229.3	232.5	223.8	231.6	224.0	237.3	237.7	226.7
27 **Total liabilities**	**3,700.6**	**3,807.9**	**3,807.1**	**3,849.3**	**3,891.7**	**3,881.2**	**3,873.6**	**3,911.0**	**3,881.6**	**3,907.0**	**3,901.7**	**3,930.3**
28 Residual (assets less liabilities)[9]	325.7	358.9[r]	371.4[r]	357.6	355.2	358.5	363.8	356.9	353.4	360.4	350.3	354.5
	Not seasonally adjusted											
Assets												
29 Bank credit	3,468.4	3,580.8[r]	3,597.4[r]	3,611.0	3,621.2	3,632.0	3,625.7	3,648.5	3,631.5	3,640.3	3,655.1	3,644.9
30 Securities in bank credit	997.3	987.9	985.9	979.1	976.7	988.8	982.2	982.0	975.8	984.2	981.2	979.1
31 U.S. government securities	714.6	711.5	712.9[r]	706.2	697.5	711.2	709.5	711.0	707.6	714.4	710.7	708.7
32 Other securities	282.7	276.4	273.0	272.9	279.2	277.6	272.8	271.0	268.2	269.8	270.5	270.4
33 Loans and leases in bank credit[2]	2,471.1	2,593.0[r]	2,611.5[r]	2,631.9	2,644.6	2,643.2	2,643.5	2,666.5	2,655.6	2,656.1	2,673.9	2,665.8
34 Commercial and industrial	686.1	705.5[r]	711.9[r]	714.7	719.5	723.7	727.1	734.7	732.1	730.8	735.4	733.9
35 Real estate	1,032.9	1,079.1[r]	1,083.8[r]	1,084.0	1,086.0	1,086.1	1,088.4	1,091.7	1,087.9	1,091.5	1,093.6	1,092.4
36 Revolving home equity	76.1	79.1	79.3	79.2	79.5	79.4	79.1	79.4	78.3	78.4	79.7	80.0
37 Other	956.8	1,000.1[r]	1,004.5[r]	1,004.9	1,006.5	1,006.7	1,009.3	1,012.3	1,009.6	1,013.1	1,014.0	1,012.5
38 Consumer	467.7	490.5[r]	493.7[r]	501.5	505.0	501.2	499.5	503.5	500.4	501.3	504.5	504.9
39 Security[3]	79.0	85.5	88.2	87.6	86.7	88.5	84.8	86.2	82.5	80.1	90.9	86.4
40 Other	205.4	232.3[r]	233.8[r]	244.1	247.3	243.7	243.6	250.3	252.8	252.4	249.5	248.2
41 Interbank loans[4]	180.4	193.3	199.6	209.2	213.0	196.1	203.3	209.3	208.0	219.1	205.9	202.9
42 Cash assets[5]	205.2	223.3	220.3	238.4	240.6	219.9	208.4	216.1	213.6	210.5	214.8	222.1
43 Other assets[6]	222.4	228.5	230.9[r]	239.5	236.9	242.1	240.1	240.9	242.1	242.0	240.6	236.9
44 **Total assets**[7]	**4,019.7**	**4,169.3**[r]	**4,191.5**[r]	**4,241.4**	**4,255.2**	**4,233.5**	**4,220.8**	**4,258.3**	**4,238.6**	**4,255.4**	**4,259.8**	**4,250.3**
Liabilities												
45 Deposits	2,559.2	2,644.2	2,658.0[r]	2,690.4	2,693.9	2,671.9	2,687.6	2,714.1	2,732.5	2,719.7	2,726.3	2,685.2
46 Transaction	793.6	778.9	781.7	809.1	795.1	759.4	753.6	770.9	781.1	775.5	786.0	744.9
47 Nontransaction	1,765.6	1,865.4	1,876.3	1,881.2	1,898.8	1,912.5	1,934.1	1,943.2	1,951.3	1,944.2	1,940.4	1,940.3
48 Large time	386.9	421.3	424.3	420.3	418.7	426.3	429.7	432.2	431.7	424.8	429.6	437.4
49 Other	1,378.7	1,444.1	1,452.0	1,461.0	1,480.1	1,486.1	1,504.4	1,511.0	1,519.6	1,519.4	1,510.7	1,502.9
50 Borrowings	665.0	688.9[r]	683.7[r]	695.2	692.2	685.5	678.7	693.4	667.6	685.0	687.7	700.7
51 From banks in the U.S.	183.3	194.1[r]	200.7[r]	211.5	215.3	197.3	202.8	208.9	207.6	218.7	205.5	202.5
52 From nonbanks in the U.S.	481.7	494.8	483.1	483.7	476.9	488.1	475.9	484.5	460.0	466.3	482.2	498.1
53 Net due to related foreign offices	236.5	258.7	262.8	264.0	277.2	278.1	262.1	254.8	247.9	247.0	245.6	274.0
54 Other liabilities[8]	223.6	222.1[r]	228.5[r]	231.9	231.0	232.9	225.3	228.0	225.2	233.6	231.7	221.5
55 **Total liabilities**	**3,684.3**	**3,814.0**	**3,833.2**	**3,881.5**	**3,894.3**	**3,868.4**	**3,853.7**	**3,890.2**	**3,873.1**	**3,885.4**	**3,891.3**	**3,881.5**
56 Residual (assets less liabilities)[9]	335.3[r]	355.4[r]	358.4[r]	359.9	360.9	365.1	367.1	368.1	365.5	370.0	368.4	368.8

Footnotes appear on next page.

1.26 ASSETS AND LIABILITIES OF COMMERCIAL BANKS[1]—Continued

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1995	1995			1996[r]				1996			
	Apr.	Oct.	Nov.	Dec.[r]	Jan.	Feb.	Mar.	Apr.	Apr. 3	Apr. 10	Apr. 17	Apr. 24
DOMESTICALLY CHARTERED COMMERCIAL BANKS	Seasonally adjusted											
Assets												
57 Bank credit	3,058.7	3,149.9	3,162.6	3,176.4	3,197.7	3,196.3	3,197.5	3,209.2	3,197.5	3,205.5	3,206.8	3,214.0
58 Securities in bank credit	865.1	852.7	854.5	855.0	854.6	853.3	843.7	842.2	834.9	842.0	840.3	843.4
59 U.S. government securities	645.1	646.9[r]	647.4[r]	643.9	640.0	643.3	635.4	635.0	630.5	635.9	634.8	636.1
60 Other securities	220.0	205.8	207.0	211.1	214.5	210.0	208.3	207.1	204.4	206.0	205.5	207.3
61 Loans and leases in bank credit[2]	2,193.5	2,297.1	2,308.1	2,321.4	2,343.1	2,343.0	2,353.8	2,367.1	2,362.7	2,363.5	2,366.5	2,370.7
62 Commercial and industrial	509.5	531.6[r]	534.9[r]	535.2	540.1	540.6	540.8	545.1	541.9	543.8	545.0	545.2
63 Real estate	997.2	1,038.6[r]	1,041.1[r]	1,043.0	1,050.9	1,054.9	1,060.7	1,062.4	1,059.8	1,062.6	1,064.0	1,063.2
64 Revolving home equity	76.6	78.4	78.8	79.1	79.6	79.8	79.8	80.0	79.2	79.3	80.3	80.3
65 Other	920.6	960.1[r]	962.2[r]	963.9	971.3	975.1	980.9	982.4	980.6	983.4	983.7	983.0
66 Consumer	470.3	489.9[r]	492.9[r]	495.7	500.4	500.6	503.7	506.2	505.0	505.7	507.3	506.4
67 Security[3]	46.0	51.6	53.5	56.2	55.6	52.3	51.5	53.2	55.4	49.2	51.6	56.3
68 Other	170.5	185.5	185.7[r]	191.3	196.1	194.6	197.0	200.1	200.5	202.2	198.5	199.6
69 Interbank loans[4]	159.9	167.3	169.1	173.7	182.2	173.5	184.6	191.3	185.4	194.0	185.2	192.3
70 Cash assets[5]	183.9	194.2	186.2	193.6	202.0	189.8	188.3	195.5	190.5	191.2	187.7	209.5
71 Other assets[6]	171.5	174.5	177.7	184.4	182.6	186.1	186.6	188.0	188.1	189.9	188.1	186.2
72 **Total assets**[7]	**3,517.1**	**3,629.2**	**3,639.1**	**3,671.7**	**3,707.8**	**3,689.2**	**3,700.5**	**3,727.1**	**3,704.6**	**3,724.0**	**3,711.0**	**3,745.2**
Liabilities												
73 Deposits	2,402.4	2,470.8	2,473.6	2,491.8	2,523.3	2,516.1	2,533.5	2,547.8	2,549.6	2,543.7	2,548.5	2,549.0
74 Transaction	782.7	769.4	758.3	763.4	772.6	755.9	758.5	761.4	761.1	761.0	762.9	759.9
75 Nontransaction	1,619.7	1,701.3	1,715.3	1,728.4	1,750.7	1,760.2	1,775.0	1,786.5	1,788.5	1,782.7	1,785.6	1,789.1
76 Large time	242.8	261.0	267.7	270.1	272.0	273.9	272.5	274.8	275.2	272.4	273.5	277.6
77 Other	1,376.9	1,440.3	1,447.6	1,458.3	1,478.7	1,486.4	1,502.5	1,511.7	1,513.3	1,510.2	1,512.1	1,511.5
78 Borrowings	559.5	567.4[r]	565.7[r]	577.6	591.1	573.8	575.5	588.4	573.1	592.3	572.3	604.9
79 From banks in the U.S.	163.2	179.3[r]	178.7[r]	180.0	186.9	176.2	187.3	186.9	176.1	196.4	181.4	190.7
80 From nonbanks in the U.S.	396.2	388.1	387.0	397.6	404.3	397.6	388.1	401.5	397.0	395.8	391.0	414.2
81 Net due to related foreign offices	83.8	92.6	89.6	91.0	93.0	90.4	81.2	84.6	76.4	73.8	81.5	95.6
82 Other liabilities[8]	150.7	143.4[r]	148.1[r]	155.2	153.5	155.6	149.7	157.1	152.3	160.4	160.6	153.9
83 **Total liabilities**	**3,196.3**	**3,274.1**	**3,277.0**	**3,315.7**	**3,360.9**	**3,336.0**	**3,339.9**	**3,378.0**	**3,351.4**	**3,370.1**	**3,363.0**	**3,403.5**
84 Residual (assets less liabilities)[9]	320.7	355.1	362.1	356.0	346.9	353.2	360.6	349.2	353.2	353.8	348.1	341.7
	Not seasonally adjusted											
Assets												
85 Bank credit	3,061.7	3,154.5	3,172.3	3,182.4	3,186.0	3,188.3	3,190.4	3,212.1	3,197.3	3,206.1	3,215.7	3,212.6
86 Securities in bank credit	870.3	853.8	855.3	848.5	843.6	849.4	847.1	847.5	842.4	849.4	847.4	846.0
87 U.S. government securities	650.8	645.9	646.6	640.1	632.9	639.2	638.6	640.8	636.9	643.2	642.0	640.6
88 Other securities	219.5	207.9[r]	208.8[r]	208.4	210.7	210.2	208.5	206.6	205.5	206.3	205.4	205.4
89 Loans and leases in bank credit[2]	2,191.3	2,300.7	2,317.0	2,333.9	2,342.4	2,338.9	2,343.3	2,364.6	2,354.9	2,356.7	2,368.3	2,366.6
90 Commercial and industrial	514.9	529.1[r]	533.9	533.2	537.0	539.8	543.9	551.0	546.9	547.2	551.5	551.4
91 Real estate	994.1	1,041.7[r]	1,046.5[r]	1,047.7	1,050.8	1,051.6	1,055.0	1,058.9	1,055.2	1,058.8	1,060.8	1,059.7
92 Revolving home equity	76.0	79.1	79.3	79.2	79.5	79.4	79.1	79.4	78.3	78.4	79.6	79.9
93 Other	918.0	962.6[r]	967.3[r]	968.6	971.3	972.2	975.9	979.5	976.9	980.4	981.1	979.8
94 Consumer	467.7	490.5[r]	493.7[r]	501.5	505.0	501.2	499.5	503.5	500.4	501.3	504.5	504.9
95 Security[3]	46.9	51.9	55.4	56.9	54.0	53.3	51.6	54.1	52.9	50.1	55.0	56.2
96 Other	167.9	187.6	187.4[r]	194.5	195.7	193.0	193.4	197.0	199.6	199.3	196.4	194.4
97 Interbank loans[4]	158.1	164.8	173.2	184.7	189.9	177.2	183.2	189.1	192.1	199.0	186.8	179.3
98 Cash assets[5]	179.6	194.8	190.7	208.5	209.8	191.7	181.5	190.6	187.0	184.6	189.3	196.6
99 Other assets[6]	170.7	175.2	176.3	183.7	183.6	184.9	185.9	187.2	189.9	188.5	186.7	183.0
100 **Total assets**[7]	**3,513.5**[r]	**3,632.7**	**3,655.8**	**3,702.6**	**3,712.8**	**3,685.6**	**3,684.3**	**3,722.4**	**3,709.8**	**3,721.7**	**3,722.0**	**3,715.0**
Liabilities												
101 Deposits	2,403.5	2,472.4	2,488.5	2,522.1	2,529.1	2,507.4	2,519.4	2,547.0	2,564.9	2,558.5	2,560.5	2,515.4
102 Transaction	784.1	769.5	771.8	798.3	784.3	748.8	743.9	760.8	771.3	765.8	776.0	734.7
103 Nontransaction	1,619.4	1,702.9	1,716.8	1,723.8	1,744.9	1,758.6	1,775.5	1,786.2	1,793.7	1,792.7	1,784.5	1,780.7
104 Large time	243.9	260.8	267.4	265.8	269.4	275.3	273.0	276.2	275.0	274.3	274.7	278.8
105 Other	1,375.5	1,442.2	1,449.3	1,458.1	1,475.5	1,483.4	1,502.6	1,510.0	1,518.6	1,518.5	1,509.8	1,501.9
106 Borrowings	547.0	575.0[r]	576.8[r]	584.1	581.8	572.6	567.6	573.2	555.8	568.9	564.0	585.9
107 From banks in the U.S.	163.5	175.7[r]	181.2[r]	191.9	193.8	178.7	182.2	186.6	184.5	198.0	182.4	183.9
108 From nonbanks in the U.S.	383.5	399.3	395.6	392.2	388.0	394.0	385.4	386.5	371.4	370.9	381.6	401.9
109 Net due to related foreign offices	84.1	92.0	88.4	89.3	92.9	92.3	84.5	85.0	75.5	71.5	77.8	100.6
110 Other liabilities[8]	148.6	143.8[r]	149.7[r]	153.3	154.1	154.1	151.5	155.2	154.0	158.8	157.4	150.6
111 **Total liabilities**	**3,183.3**	**3,283.2**	**3,303.4**	**3,348.8**	**3,358.0**	**3,326.4**	**3,323.0**	**3,360.4**	**3,350.3**	**3,357.8**	**3,359.6**	**3,352.5**
112 Residual (assets less liabilities)[9]	330.3	349.5	352.4	353.8	354.9	359.2	361.3	362.0	359.5	363.9	362.4	362.5

1. Covers the following types of institutions in the fifty states and the District of Columbia: domestically chartered commercial banks that submit a weekly report of condition (large domestic); other domestically chartered commercial banks (small domestic); branches and agencies of foreign banks; New York State investment companies, and Edge Act and agreement corporations (foreign-related institutions). Excludes international banking facilities. Data are Wednesday values, or pro rata averages of Wednesday values. Large domestic banks constitute a universe; data for small domestic banks and foreign-related institutions are estimates based on weekly samples and on quarter-end condition reports. Data are adjusted for breaks caused by reclassifications of assets and liabilities.
2. Excludes federal funds sold to, reverse repurchase agreements with, and loans to commercial banks in the United States.
3. Consists of reserve repurchase agreements with broker–dealers and loans to purchase and carry securities.
4. Consists of federal funds sold to, reverse repurchase agreements with, and loans to commercial banks in the United States.
5. Includes vault cash, cash items in process of collection, demand balances due from depository institutions in the United States, balances due from Federal Reserve Banks, and other cash assets.
6. Excludes the due-from position with related foreign offices, which is included in lines 25, 53, 81, and 109.
7. Excludes unearned income, reserves for losses on loans and leases, and reserves for transfer risk. Loans are reported gross of these items.
8. Excludes the due-to position with related foreign offices, which is included in lines 25, 53, 81, and 109.
9. This balancing item is not intended as a measure of equity capital for use in capital adequacy analysis.

1.27 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS

Millions of dollars, Wednesday figures

Account	1996								
	Feb. 28	Mar. 6	Mar. 13	Mar. 20	Mar. 27	Apr. 3	Apr. 10	Apr. 17	Apr. 24
ASSETS									
1 Cash and balances due from depository institutions	117,389	108,667	113,510	109,275	110,535	113,267	113,019	117,100	127,447
2 U.S. Treasury and government securities	290,002	286,686	285,376	284,298	285,106	282,446	286,488	283,560	281,055
3 Trading account	25,054	25,868	27,040	26,792	26,624	22,237	24,467	21,686	19,411
4 Investment account	264,948	260,818	258,336	257,506	258,482	260,209	262,021	261,874	261,644
5 Mortgage-backed securities[1]	111,935	111,475	110,458	110,073	112,357	113,268	112,767	113,273	114,323
All others, by maturity									
6 One year or less	38,163[r]	37,140[r]	36,553[r]	36,570[r]	36,013[r]	36,039	37,568	36,182	35,363
7 One year through five years	64,265[r]	62,353[r]	61,281[r]	61,280[r]	61,184[r]	61,755	62,575	63,577	63,498
8 More than five years	50,585[r]	49,849[r]	50,045[r]	49,583[r]	48,929[r]	49,147	49,112	48,843	48,460
9 Other securities	122,220	124,994	124,936	119,876	120,071	118,949	119,878	118,987	119,006
10 Trading account	1,493	1,477	1,469	1,539	1,667	1,840	1,911	1,542	1,641
11 Investment account	63,702	64,834	64,907	64,121	63,839	64,181	63,792	63,425	63,411
12 State and local government, by maturity	19,005[r]	19,072[r]	19,087[r]	19,018[r]	19,025[r]	18,978	18,955	19,019	19,065
13 One year or less	4,324[r]	4,278[r]	4,263[r]	4,238[r]	4,221[r]	4,222	4,220	4,205	4,219
14 More than one year	14,681[r]	14,794[r]	14,825[r]	14,781[r]	14,803[r]	14,756	14,735	14,814	14,847
15 Other bonds, corporate stocks, and securities	44,697[r]	45,763[r]	45,820[r]	45,103[r]	44,815[r]	45,203	44,838	44,406	44,346
16 Other trading account assets	57,025	58,683	58,560	54,216	54,564	52,929	54,175	54,021	53,954
17 Federal funds sold[2]	107,153	105,488	108,379	106,118	102,037	111,299	116,084	114,112	118,498
18 To commercial banks in the United States	70,082	70,120	71,352	72,224	70,932	72,837	81,396	75,435	79,263
19 To nonbank brokers and dealers in securities	29,951	29,310	31,365	28,658	26,064	32,078	28,716	33,823	35,032
20 To others[3]	7,119	6,058	5,661	5,236	5,040	6,384	5,973	4,854	4,203
21 Other loans and leases, gross	1,282,631[r]	1,284,507[r]	1,284,496[r]	1,286,040[r]	1,286,258[r]	1,290,095	1,293,924	1,296,749	1,297,003
22 Commercial and industrial	352,841[r]	353,900[r]	353,199[r]	355,369[r]	356,237[r]	356,884	357,012	359,923	359,757
23 Bankers acceptances and commercial paper	1,465	1,596	1,579	1,627	1,601	1,618	1,603	1,458	1,431
24 All other	351,376[r]	352,304[r]	351,619[r]	353,742[r]	354,636[r]	355,266	355,410	358,465	358,326
25 U.S. addressees	348,560[r]	349,507[r]	348,820[r]	350,984[r]	351,898[r]	352,565	352,729	355,726	355,588
26 Non-U.S. addressees	2,816	2,797	2,800	2,758	2,738[r]	2,702	2,681	2,739	2,738
27 Real estate loans	505,117	508,683	508,792	507,282	506,731[r]	506,887	508,717	508,812	507,879
28 Revolving, home equity	47,985	47,972	47,920	47,825	47,765	47,014	47,033	47,967	48,191
29 All other	457,132	460,711	460,872	459,457	458,966[r]	459,873	461,684	460,845	459,688
30 To individuals for personal expenditures	247,863	247,903	246,948	247,608	247,144[r]	247,939	248,302	249,348	249,873
31 To depository and financial institutions	68,520	69,075	70,405	70,823	71,324[r]	73,329	74,503	73,101	73,539
32 Commercial banks in the United States	39,630	39,645	40,523	39,792	39,912[r]	40,708	41,185	40,992	41,242
33 Banks in foreign countries	2,783	2,649	3,001	3,082	3,211	3,033	3,900	3,021	3,510
34 Nonbank depository and other financial institutions	26,107	26,781	26,881	27,949	28,202	29,588	29,418	29,088	28,787
35 For purchasing and carrying securities	19,657	16,741	17,006	16,207	15,923	14,187	14,894	15,122	15,795
36 To finance agricultural production	6,532	6,564	6,521	6,504	6,554	6,518	6,575	6,587	6,645
37 To states and political subdivisions	10,553	10,610	10,572	10,522	10,589	10,543	10,480	10,488	10,317
38 To foreign governments and official institutions	1,286	1,115	1,120	1,102	1,082	1,123	1,323	1,237	1,095
39 All other loans	26,754	25,940	25,538	26,064	26,083	27,918	26,697	26,563	26,397
40 Lease-financing receivables	43,509	43,975	44,396	44,559	44,592	44,767	45,420	45,569	45,706
41 LESS: Unearned income	1,778	1,764	1,803	1,793	1,791	1,764	1,812	1,813	1,808
42 Loan and lease reserve[3]	33,276	33,537	33,517	33,447	33,182	33,250	33,062	33,049	32,968
43 Other loans and leases, net	1,247,577[r]	1,249,206[r]	1,249,176[r]	1,250,800[r]	1,251,286[r]	1,255,082	1,259,050	1,261,888	1,262,227
44 All other assets	142,371[r]	147,228[r]	142,594[r]	144,955[r]	143,579[r]	148,698	148,511	146,678	140,613
45 **Total assets**	**2,026,712[r]**	**2,022,269[r]**	**2,023,971[r]**	**2,015,322[r]**	**2,012,613[r]**	**2,029,741**	**2,043,030**	**2,042,326**	**2,048,846**

Footnotes appear on the following page.

1.27 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS—Continued

Millions of dollars, Wednesday figures

Account	1996								
	Feb. 28	Mar. 6	Mar. 13	Mar. 20	Mar. 27	Apr. 3	Apr. 10	Apr. 17	Apr. 24
LIABILITIES									
46 Deposits	1,194,293	1,214,607	1,209,808	1,202,987	1,198,002	1,236,990	1,232,494	1,236,558	1,212,132
47 Demand deposits	298,443r	301,517r	297,850r	296,239	294,139	315,319	311,243	316,277	302,621
48 Individuals, partnerships, and corporations	255,041	258,736	257,055	251,947	250,720	270,698	267,244	269,122	254,789
49 Other holders	43,402r	42,781r	40,795r	44,293	43,420	44,621	43,999	47,155	47,832
50 States and political subdivisions	8,291r	7,831r	7,409r	8,641	8,212	8,128	8,690	8,123	8,820
51 U.S. government	1,709	2,160	1,698	1,959	1,691	2,258	2,493	5,178	6,535
52 Depository institutions in the United States	19,860	20,260	19,412	20,459	20,140	21,488	19,935	20,981	19,640
53 Banks in foreign countries	5,842	4,998	5,019	5,750	5,468	4,977	5,403	4,567	5,279
54 Foreign governments and official institutions	553	680	678	695	604	621	665	640	578
55 Certified and officers' checks	7,147	6,851	6,580	6,788	7,304	7,149	6,813	7,666	6,979
56 Transaction balances other than demand deposits[4]	85,208r	86,023	84,140r	85,054	84,557	86,892	86,267	89,990	82,854
57 Nontransaction balances	810,643r	827,067r	827,817r	821,694	819,305	834,779	834,984	830,291	826,658
58 Individuals, partnerships, and corporations	785,883r	801,769	802,858r	796,780	794,406r	808,079	808,082	803,662	798,105
59 Other holders	24,760r	25,299r	24,960r	24,914	24,900r	26,700	26,901	26,628	28,552
60 States and political subdivisions	21,754r	22,338r	22,098r	22,103	21,980	22,981	23,073	22,367	22,325
61 U.S. government	741r	785	781	747	728	1,934	2,162	2,455	3,929
62 Depository institutions in the United States	1,979	1,889	1,776	1,752	1,879	1,480	1,362	1,493	1,995
63 Foreign governments, official institutions, and banks	285	286	305	312	312r	305	305	312	303
64 Liabilities for borrowed money[5]	410,004	394,734	404,051	410,568	402,667	392,672	406,765	398,596	416,611
65 Borrowings from Federal Reserve Banks	0	0	0	0	0	0	0	0	0
66 Treasury tax and loan notes	21,229	7	463	15,825	11,733	11,355	5,921	24,794	26,456
67 Other liabilities for borrowed money[6]	388,774	394,727	403,587r	394,743	390,934	381,318	400,845	373,801	390,156
68 Other liabilities (including subordinated notes and debentures)	225,731r	215,879r	212,361r	204,347r	214,795r	206,349	207,986	211,554	223,594
69 **Total liabilities**	**1,830,028r**	**1,825,220r**	**1,826,219r**	**1,817,902r**	**1,815,464r**	**1,836,011**	**1,847,245**	**1,846,708**	**1,852,337**
70 Residual (total assets less total liabilities)[7]	196,684r	197,049r	197,751r	197,420r	197,149r	193,730	195,785	195,618	196,509
MEMO									
71 Total loans and leases, gross, adjusted, plus securities[8]	1,692,294r	1,691,909r	1,691,311r	1,684,317r	1,682,627r	1,689,245	1,693,793	1,696,982	1,695,057
72 Time deposits in amounts of $100,000 or more	118,222	118,768	117,990	117,728	116,262	119,407	118,241	119,119	122,439
73 Loans sold outright to affiliates[9]	1,177	1,168	1,151	1,136	1,125	1,116	1,106	1,098	1,088
74 Commercial and industrial	275	275	270	270	269	268	268	268	268
75 Other	902	892	880	866	856	848	838	829	820
76 Foreign branch credit extended to U.S. residents[10]	27,714	27,546	27,354	27,162	26,956	26,901	27,107	27,861	27,837
77 Net owed to related institutions abroad	92,665	82,191	80,559	73,999	85,122	71,164	67,682	73,430	95,245

1. Includes certificates of participation, issued or guaranteed by agencies of the U.S. government, in pools of residential mortgages.
2. Includes securities purchased under agreements to resell.
3. Includes allocated transfer risk reserve.
4. Includes negotiable order of withdrawal (NOWs) and automatic transfer service (ATS) accounts, and telephone and preauthorized transfers of savings deposits.
5. Includes borrowings only from other than directly related institutions.
6. Includes federal funds purchased and securities sold under agreements to repurchase.
7. This balancing item is not intended as a measure of equity capital for use in capital-adequacy analysis.
8. Excludes loans to and federal funds transactions with commercial banks in the United States.
9. Affiliates include a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.
10. Credit extended by foreign branches of domestically chartered weekly reporting banks to nonbank U.S. residents. Consists mainly of commercial and industrial loans, but includes an unknown amount of credit extended to other than nonfinancial businesses.

1.28 LARGE WEEKLY REPORTING U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS
Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1996								
	Feb. 28	Mar. 6	Mar. 13	Mar. 20	Mar. 27	Apr. 3	Apr. 10	Apr. 17	Apr. 24
ASSETS									
1 Cash and balances due from depository institutions	16,736	16,242	16,694	16,500	16,611	16,273	15,855	15,506	15,572
2 U.S. Treasury and government agency securities	49,319	47,099	46,911	46,967	45,429	46,347	46,790	44,965	44,914
3 Other securities	44,704	44,099	43,329	42,717	42,555	41,985	42,893	44,144	44,657
4 Federal funds sold[1]	31,387	27,075	29,682	28,169	30,121	24,361	26,693	31,479	28,065
5 To commercial banks in the United States	7,963	5,202	7,274	5,948	7,812	5,248	7,100	6,907	8,634
6 To others[2]	23,425	21,873	22,409	22,221	22,308	19,113	19,593	24,573	19,431
7 Other loans and leases, gross	185,298	180,675	181,937	183,360	183,599	185,381	184,807	183,775	185,476
8 Commercial and industrial	120,912	119,678	120,149	121,260	120,681	122,739	122,013	121,757	121,023
9 Bankers acceptances and commercial paper	5,290	5,155	5,048	5,149	5,188	5,163	5,429	5,154	5,162
10 All other	115,622	114,523	115,100	116,112	115,493	117,576	116,584	116,603	115,861
11 U.S. addressees	109,699	108,519	109,007	109,988	109,311	111,360	110,430	110,225	109,670
12 Non-U.S. addressees	5,923	6,004	6,093	6,123	6,182	6,216	6,154	6,378	6,191
13 Loans secured by real estate	21,009	20,833	20,817	20,687	20,374	20,191	20,210	20,208	20,364
14 Loans to depository and financial institutions	29,673	28,376	28,907	29,314	30,067	30,564	30,929	30,110	31,676
15 Commercial banks in the United States	2,413	2,510	3,231	3,144	3,273	2,376	2,548	2,244	2,560
16 Banks in foreign countries	3,050	2,883	2,845	2,671	2,755	3,061	3,110	3,051	3,120
17 Nonbank financial institutions	24,210	22,984	22,830	23,500	24,039	25,127	25,271	24,815	25,997
18 For purchasing and carrying securities	7,014	5,113	5,389	5,503	5,782	4,937	4,952	4,862	5,134
19 To foreign governments and official institutions	661	686	593	669	594	621	582	689	605
20 All other	4,166	4,138	4,202	4,094	4,214	4,372	4,228	4,247	4,610
21 Other assets (claims on nonrelated parties)	40,848	40,115	41,240	36,505	36,785	36,958	37,581	37,240	36,909
22 **Total assets**[3]	**396,549**	**386,611**	**387,969**	**384,985**	**384,098**	**383,950**	**386,397**	**392,910**	**391,417**
LIABILITIES									
23 Deposits or credit balances owed to other than directly related institutions	104,192	103,864	105,992	105,042	105,989	105,656	101,344	105,173	108,433
24 Demand deposits[4]	3,887	3,778	3,896	3,623	3,954	3,996	3,936	4,036	4,216
25 Individuals, partnerships, and corporations	3,166	3,183	3,105	2,921	3,124	3,119	3,217	3,311	3,481
26 Other	721	595	791	702	830	877	719	725	735
27 Nontransaction accounts	100,306	100,086	102,097	101,419	102,035	101,660	97,408	101,137	104,217
28 Individuals, partnerships, and corporations	68,847	69,719	72,078	71,613	71,374	72,501	69,256	72,258	74,789
29 Other	31,458	30,366	30,018	29,807	30,661	29,159	28,153	28,879	29,428
30 Borrowings from other than directly related institutions	75,816	77,113	72,747	75,565	70,075	74,049	76,140	82,875	75,963
31 Federal funds purchased[5]	45,012	49,350	45,236	47,141	43,941	47,698	45,281	52,877	44,693
32 From commercial banks in the United States	10,198	11,755	10,305	8,850	8,730	12,094	9,753	12,657	8,762
33 From others	34,814	37,595	34,931	38,291	35,211	35,604	35,528	40,220	35,931
34 Other liabilities for borrowed money	30,803	27,764	27,511	28,424	26,133	26,351	30,859	29,998	31,270
35 To commercial banks in the United States	4,304	4,282	3,949	4,244	4,381	4,357	4,251	4,328	4,543
36 To others	26,500	23,482	23,562	24,181	21,753	21,994	26,608	25,670	26,727
37 Other liabilities to nonrelated parties	64,960	62,461	63,064	59,105	58,817	58,682	61,598	61,840	59,561
38 **Total liabilities**[6]	**396,549**	**386,611**	**387,969**	**384,985**	**384,098**	**383,950**	**386,397**	**392,910**	**391,417**
MEMO									
39 Total loans (gross) and securities, adjusted[7]	300,334	291,237	291,354	292,121	290,617	290,450	291,535	295,212	291,918
40 Net owed to related institutions abroad	123,325	111,868	117,991	114,507	120,219	112,918	115,538	107,221	111,635

1. Includes securities purchased under agreements to resell.
2. Includes transactions with nonbank brokers and dealers in securities.
3. For U.S. branches and agencies of foreign banks having a net "due from" position, includes net due from related institutions abroad.
4. Includes other transaction deposits.
5. Includes securities sold under agreements to repurchase.
6. For U.S. branches and agencies of foreign banks having a net "due to" position, includes net owed to related institutions abroad.
7. Excludes loans to and federal funds transactions with commercial banks in the United States.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Item	Year ending December					1995			1996		
	1991	1992	1993	1994	1995	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**528,832**	**545,619**	**555,075**	**595,382**	**674,927r**	**673,241**	**669,661r**	**674,927r**	**685,797r**	**687,669r**	**695,201**
Financial companies[1]											
2 Dealer-placed paper[2], total	212,999	226,456	218,947	223,038	275,814r	271,299	276,222r	275,814r	288,368r	293,313	292,533
3 Directly placed paper[3], total	182,463	171,605	180,389	207,701	210,853r	215,982	213,578r	210,853r	208,166r	208,046	208,880
4 Nonfinancial companies[4]	133,370	147,558	155,739	164,643	188,260	185,960	179,861r	188,260	189,264	186,310r	193,788
	Bankers dollar acceptances (not seasonally adjusted)[5]										
5 **Total**	**43,770**	**38,194**	**32,348**	**29,835**	**29,242**						
By holder											
6 Accepting banks	11,017	10,555	12,421	11,783							
7 Own bills	9,347	9,097	10,707	10,462							
8 Bills bought from other banks	1,670	1,458	1,714	1,321							
Federal Reserve Banks[6]											
9 Foreign correspondents	1,739	1,276	725	410	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 Others	31,014	26,364	19,202	17,642							
By basis											
11 Imports into United States	12,843	12,209	10,217	10,062							
12 Exports from United States	10,351	8,096	7,293	6,355							
13 All other	20,577	17,890	14,838	13,417							

1. Institutions engaged primarily in commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.
2. Includes all financial-company paper sold by dealers in the open market.
3. As reported by financial companies that place their paper directly with investors.
4. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
5. Data on bankers dollar acceptances are gathered from approximately 100 institutions. The reporting group is revised every January. Beginning January 1995, data for Bankers dollar acceptances will be reported annually in September.
6. In 1977 the Federal Reserve discontinued operations in bankers dollar acceptances for its own account.

1.33 PRIME RATE CHARGED BY BANKS Short-Term Business Loans[1]

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1993—Jan. 1	6.00	1993	6.00	1994—Jan.	6.00	1995—Jan.	8.50
		1994	7.15	Feb.	6.00	Feb.	9.00
1994—Mar. 24	6.25	1995	8.83	Mar.	6.06	Mar.	9.00
Apr. 19	6.75			Apr.	6.45	Apr.	9.00
May 17	7.25	1993—Jan.	6.00	May	6.99	May	9.00
Aug. 16	7.75	Feb.	6.00	June	7.25	June	9.00
Nov. 15	8.50	Mar.	6.00	July	7.25	July	8.80
		Apr.	6.00	Aug.	7.51	Aug.	8.75
1995—Feb. 1	9.00	May	6.00	Sept.	7.75	Sept.	8.75
July 7	8.75	June	6.00	Oct.	7.75	Oct.	8.75
Dec. 20	8.50	July	6.00	Nov.	8.15	Nov.	8.75
		Aug.	6.00	Dec.	8.50	Dec.	8.65
1996—Feb. 1	8.25	Sept.	6.00				
		Oct.	6.00			1996—Jan.	8.50
		Nov.	6.00			Feb.	8.25
		Dec.	6.00			Mar.	8.25
						Apr.	8.25
						May	8.25

1. The prime rate is one of several base rates that banks use to price short-term business loans. The table shows the date on which a new rate came to be the predominant one quoted by a majority of the twenty-five largest banks by asset size, based on the most recent Call Report. Data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.35 INTEREST RATES Money and Capital Markets

Percent per year; figures are averages of business day data unless otherwise noted

Item	1993	1994	1995	1996				1996, week ending				
				Jan.	Feb.	Mar.	Apr.	Mar. 29	Apr. 5	Apr. 12	Apr. 19	Apr. 26
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	3.02	4.21	5.83	5.56	5.22	5.31	5.22	5.22	5.30	5.08	5.24	5.24
2 Discount window borrowing[2,4]	3.00	3.60	5.21	5.24	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Commercial paper[3,5,6]												
3 1-month	3.17	4.43	5.93	5.56	5.29	5.39	5.40	5.48	5.42	5.42	5.39	5.38
4 3-month	3.22	4.66	5.93	5.40	5.15	5.31	5.39	5.37	5.36	5.41	5.39	5.38
5 6-month	3.30	4.93	5.93	5.23	4.99	5.26	5.38	5.32	5.32	5.42	5.40	5.38
Finance paper, directly placed[3,5,7]												
6 1-month	3.12	4.33	5.81	5.44	5.20	5.29	5.31	5.36	5.32	5.33	5.30	5.29
7 3-month	3.16	4.53	5.78	5.25	5.00	5.18	5.28	5.26	5.26	5.31	5.28	5.27
8 6-month	3.15	4.56	5.68	5.01	4.77	5.04	5.20	5.14	5.18	5.22	5.20	5.21
Bankers acceptances[3,5,8]												
9 3-month	3.13	4.56	5.81	5.31	5.07	5.21	5.28	5.26	5.26	5.31	5.28	5.26
10 6-month	3.21	4.83	5.80	5.14	4.91	5.17	5.28	5.22	5.23	5.33	5.27	5.26
Certificates of deposit, secondary market[3,9]												
11 1-month	3.11	4.38	5.87	5.47	5.23	5.31	5.34	5.36	5.35	5.37	5.33	5.31
12 3-month	3.17	4.63	5.92	5.39	5.15	5.29	5.36	5.34	5.34	5.39	5.36	5.34
13 6-month	3.28	4.96	5.98	5.28	5.03	5.30	5.42	5.37	5.38	5.49	5.42	5.40
14 Eurodollar deposits, 3-month[3,10]	3.18	4.63	5.93	5.40	5.14	5.28	5.36	5.33	5.33	5.41	5.36	5.35
U.S. Treasury bills												
Secondary market[3,5]												
15 3-month	3.00	4.25	5.49	5.00	4.83	4.96	4.95	5.00	5.01	4.97	4.85	4.96
16 6-month	3.12	4.64	5.56	4.92	4.77	4.96	5.06	5.00	5.06	5.11	5.03	5.04
17 1-year	3.29	5.02	5.60	4.82	4.69	5.06	5.23	5.13	5.18	5.31	5.21	5.21
Auction average[3,5,11]												
18 3-month	3.02	4.29	5.51	5.02	4.87	4.96	4.99	4.99	5.07	5.03	4.87	4.97
19 6-month	3.14	4.66	5.59	4.97	4.79	4.96	5.08	4.97	5.06	5.19	5.03	5.02
20 1-year	3.33	5.02	5.69	4.89	4.64	4.98	5.17	n.a.	5.17	n.a.	n.a.	n.a.
U.S. TREASURY NOTES AND BONDS												
Constant maturities[12]												
21 1-year	3.43	5.32	5.94	5.09	4.94	5.34	5.54	5.42	5.48	5.62	5.51	5.52
22 2-year	4.05	5.94	6.15	5.11	5.03	5.66	5.96	5.78	5.84	6.07	5.95	5.94
23 3-year	4.44	6.27	6.25	5.20	5.14	5.79	6.11	5.89	5.97	6.23	6.11	6.10
24 5-year	5.14	6.69	6.38	5.36	5.38	5.97	6.30	6.08	6.14	6.42	6.32	6.31
25 7-year	5.54	6.91	6.50	5.54	5.64	6.19	6.48	6.27	6.33	6.60	6.49	6.48
26 10-year	5.87	7.09	6.57	5.65	5.81	6.27	6.51	6.32	6.35	6.60	6.52	6.53
27 20-year	6.29	7.49	6.95	6.11	6.30	6.74	6.98	6.81	6.85	7.07	6.99	6.98
28 30-year	6.59	7.37	6.88	6.05	6.24	6.60	6.79	6.65	6.68	6.88	6.80	6.79
Composite												
29 More than 10 years (long-term)	6.45	7.41	6.93	6.07	6.28	6.72	6.94	6.78	6.81	7.03	6.95	6.95
STATE AND LOCAL NOTES AND BONDS												
Moody's series[13]												
30 Aaa	5.38	5.77	5.80	5.27	5.24	5.33	5.62	5.44	5.60	5.54	5.62	5.70
31 Baa	5.83	6.17	6.10	5.59	5.59	5.72	5.94	5.96	6.07	6.00	5.96	5.94
32 *Bond Buyer* series[14]	5.60	6.18	5.95	5.43	5.43	5.79	5.94	5.90	5.86	6.03	5.94	5.91
CORPORATE BONDS												
33 Seasoned issues, all industries[15]	7.54	8.26	7.83	7.10	7.27	7.65	7.80	7.69	7.72	7.90	7.79	7.78
Rating group												
34 Aaa	7.22	7.97	7.59	6.80	6.99	7.35	7.50	7.39	7.41	7.60	7.50	7.48
35 Aa	7.40	8.15	7.72	6.99	7.16	7.52	7.68	7.57	7.59	7.77	7.67	7.66
36 A	7.58	8.28	7.83	7.12	7.31	7.68	7.83	7.72	7.74	7.92	7.82	7.81
37 Baa	7.93	8.63	8.20	7.47	7.63	8.03	8.19	8.09	8.12	8.30	8.19	8.16
38 A-rated, recently offered utility bonds[16]	7.46	8.29	7.86	7.09	7.31	7.75	7.90	7.77	7.94	7.91	7.89	7.90
MEMO												
Dividend–price ratio[17]												
39 Common stocks	2.78	2.82	2.56	2.31	2.22	2.22	2.24	2.21	2.20	2.28	2.25	2.22

1. The daily effective federal funds rate is a weighted average of rates on trades through New York brokers.
2. Weekly figures are averages of seven calendar days ending on Wednesday of the current week; monthly figures include each calendar day in the month.
3. Annualized using a 360-day year for bank interest.
4. Rate for the Federal Reserve Bank of New York.
5. Quoted on a discount basis.
6. An average of offering rates on commercial paper placed by several leading dealers for firms whose bond rating is AA or the equivalent.
7. An average of offering rates on paper directly placed by finance companies.
8. Representative closing yields for acceptances of the highest-rated money center banks.
9. An average of dealer offering rates on nationally traded certificates of deposit.
10. Bid rates for Eurodollar deposits at approximately 11:00 a.m. London time. Data are for indication purposes only.
11. Auction date for daily data; weekly and monthly averages computed on an issue-date basis.
12. Yields on actively traded issues adjusted to constant maturities. Source: U.S. Department of the Treasury.
13. General obligation bonds based on Thursday figures; Moody's Investors Service.
14. State and local government general obligation bonds maturing in twenty years are used in compiling this index. The twenty-bond index has a rating roughly equivalent to Moodys' A1 rating. Based on Thursday figures.
15. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
16. Compilation of the Federal Reserve. This series is an estimate of the yield on recently offered, A-rated utility bonds with a thirty-year maturity and five years of call protection. Weekly data are based on Friday quotations.
17. Standard & Poor's corporate series. Common stock ratio is based on the 500 stocks in the price index.

NOTE. Some of the data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.36 STOCK MARKET Selected Statistics

Indicator	1993	1994	1995	1995					1996			
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
	Prices and trading volume (averages of daily figures)											
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	249.71	254.16	291.18	300.05	310.41	311.78	317.58	327.90	329.22	346.46	346.73	347.50
2 Industrial	300.10	315.32	367.40	379.79	390.42	389.63	398.66	412.11	413.05	435.92	439.55	441.99
3 Transportation	242.68	247.17	270.14	285.63	295.54	291.16	300.06	303.53	300.43	315.29	324.77	326.42
4 Utility	114.55	104.96	114.61	111.06	114.67	123.59	119.49	173.95	127.09	135.51	122.83	122.44
5 Finance	216.55	209.75	238.48	245.27	260.72	265.12	266.12	273.36	274.96	290.97	290.44	287.92
6 Standard & Poor's Corporation (1941–43 = 10)[1]	451.63	460.42	541.72	559.11	578.77	582.92	595.53	614.57	614.42	649.54	647.07	647.17
7 American Stock Exchange (Aug. 31, 1973 = 50)[2]	438.77	449.49	498.13	526.86	547.64	530.26	529.93	538.01	540.48	562.34	565.69	580.60
Volume of trading (thousands of shares)												
8 New York Stock Exchange	263,374	290,652	345,729	309,879	352,184	365,108	360,199	384,310	416,048	434,607	426,198	419,941
9 American Stock Exchange	18,188	17,951	20,387	21,825	25,422	17,865	16,724	21,085	21,069	27,107	22,988	24,886
	Customer financing (millions of dollars, end-of-period balances)											
10 **Margin credit at broker–dealers**[3]	**60,310**	**61,160**	**76,680**	**71,440**	**77,076**	**75,005**	**77,875**	**76,680**	**73,530**	**77,090**	**78,308**	**81,170**
Free credit balances at brokers[4]												
11 Margin accounts[5]	12,360	14,095	16,250	13,900	14,806	14,753	15,590	16,250	14,950	15,840	15,770	15,780
12 Cash accounts	27,715	28,870	34,340	29,190	29,796	29,908	30,340	34,340	32,465	34,700	33,113	33,100

	Margin requirements (percent of market value and effective date)[6]					
	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
13 Margin stocks	70	80	65	55	65	50
14 Convertible bonds	50	60	50	50	50	50
15 Short sales	70	80	65	55	65	50

1. In July 1976 a financial group, composed of banks and insurance companies, was added to the group of stocks on which the index is based. The index is now based on 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.
2. On July 5, 1983, the American Stock Exchange rebased its index, effectively cutting previous readings in half.
3. Since July 1983, under the revised Regulation T, margin credit at broker–dealers has included credit extended against stocks, convertible bonds, stocks acquired through the exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984.
4. Free credit balances are amounts in accounts with no unfulfilled commitments to brokers and are subject to withdrawal by customers on demand.
5. Series initiated in June 1984.
6. Margin requirements, stated in regulations adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit that can be used to purchase and carry "margin securities" (as defined in the regulations) when such credit is collateralized by securities. Margin requirements on securities other than options are the difference between the market value (100 percent) and the maximum loan value of collateral as prescribed by the Board. Regulation T was adopted effective Oct. 15, 1934; Regulation U, effective May 1, 1936; Regulation G, effective Mar. 11, 1968; and Regulation X, effective Nov. 1, 1971.

On Jan. 1, 1977, the Board of Governors for the first time established in Regulation T the initial margin required for writing options on securities, setting it at 30 percent of the current market value of the stock underlying the option. On Sept. 30, 1985, the Board changed the required initial margin, allowing it to be the same as the option maintenance margin required by the appropriate exchange or self-regulatory organization; such maintenance margin rules must be approved by the Securities and Exchange Commission. Effective Jan. 31, 1986, the SEC approved new maintenance margin rules, permitting margins to be the price of the option plus 15 percent of the market value of the stock underlying the option.

Effective June 8, 1988, margins were set to be the price of the option plus 20 percent of the market value of the stock underlying the option (or 15 percent in the case of stock-index options).

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year			Calendar year					
	1993	1994	1995	1995		1996			
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
U.S. budget[1]									
1 Receipts, total	1,153,535	1,257,737r	1,355,213	90,008	138,271	142,922	89,349	89,011	203,386
2 On-budget	841,601	922,711r	1,004,134	63,651	110,322	110,615	60,912	56,677	160,774
3 Off-budget	311,934	335,026	351,079	26,357	27,949	32,307	28,437	32,334	42,613
4 Outlays, total	1,408,675r	1,460,841r	1,519,133	128,458	132,984	123,647	133,644	136,286	130,993
5 On-budget	1,142,088r	1,181,469r	1,230,469	101,767	121,753	98,057	105,711	108,365	105,131
6 Off-budget	266,587	279,372	288,664	26,691	11,232	25,591	27,933	27,921	25,863
7 Surplus or deficit (−), total	−255,140r	−203,104r	−163,920	−38,450	5,286	19,274	−44,295	−47,275	72,393
8 On-budget	−300,487r	−258,758r	−226,335	−38,116	−11,431	12,558	−44,799	−51,688	55,643
9 Off-budget	45,347	55,654	62,415	−334	16,717	6,716	504	4,413	16,750
Source of financing (total)									
10 Borrowing from the public	248,594	184,998	171,288	38,339	−18,358	−4,747	47,022	39,189	−35,466
11 Operating cash (decrease, or increase (−))	6,283	16,564	−2,007	−4,911	5,610	−16,959	6,297	9,283	−26,449
12 Other[2]	429	1,542r	−5,361r	5,022	7,462	2,432	−9,024	−197	−10,478
MEMO									
13 Treasury operating balance (level, end of period)	52,506	35,942	37,949	26,105	20,495	37,454	31,157	21,874	48,323
14 Federal Reserve Banks	17,289	6,848	8,620	5,703	5,979	8,210	5,632	7,021	11,042
15 Tax and loan accounts	35,217	29,094	29,329	20,402	14,515	29,243	25,525	14,853	37,281

1. Since 1990, off-budget items have been the social security trust funds (federal old-age survivors insurance and federal disability insurance) and the U.S. Postal Service.

2. Includes special drawing rights (SDRs); reserve position on the U.S. quota in the International Monetary Fund (IMF); loans to the IMF; other cash and monetary assets; accrued interest payable to the public; allocations of SDRs; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; increment on gold; net gain or loss for U.S. currency valuation adjustment; net gain or loss for IMF loan-valuation adjustment; and profit on sale of gold.

SOURCE. Monthly totals: U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*; fiscal year totals: U.S. Office of Management and Budget, *Budget of the U.S. Government*.

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS[1]

Millions of dollars

Source or type	Fiscal year 1994	Fiscal year 1995	Calendar year 1994 H1	Calendar year 1994 H2	Calendar year 1995 H1	Calendar year 1995 H2	Calendar year 1996 Feb.	Calendar year 1996 Mar.	Calendar year 1996 Apr.
RECEIPTS									
1 **All sources**	**1,257,737**	**1,355,213**	**652,234**	**625,557**	**710,542**	**656,400**	**89,349**	**89,011**	**203,386**
2 Individual income taxes, net	543,055	590,244	275,052	273,474	307,498	292,393	40,327	22,523	107,513
3 Withheld	459,699	499,927	225,387	240,062	251,398	256,916	46,722	41,834	38,930
4 Presidential Election Campaign Fund	70	69	63	10	58	9	7	16	13
5 Nonwithheld	160,047	175,786	117,620	42,031	132,006	43,100	3,163	5,790	89,392
6 Refunds	76,761	85,538	68,325	9,207	75,958	10,058	9,565	25,118	20,822
Corporation income taxes									
7 Gross receipts	154,205	174,422	80,536	78,392	92,132	88,302	3,797	17,793	26,912
8 Refunds	13,820	17,418	6,933	7,745[r]	10,399	7,518	2,105	2,332	1,975
9 Social insurance taxes and contributions, net	461,475	484,473	248,301	220,141	261,837	224,269	38,960	41,763	60,588
10 Employment taxes and contributions[2]	428,810	451,045	228,714	206,613	228,663	211,323	36,011	41,086	56,615
11 Self-employment taxes and contributions[3]	24,433	27,127	20,762	4,135	23,429	3,557	278	1,006	12,441
12 Unemployment insurance	28,004	28,878	17,301	11,177	18,001	10,702	2,546	258	3,628
13 Other net receipts[4]	4,661	4,550	2,284	2,349	2,267	2,247	403	419	346
14 Excise taxes	55,225	57,484	26,444	30,062	27,452	30,014	4,308	4,133	4,577
15 Customs deposits	20,099	19,301	9,500	11,042	8,847	9,849	1,456	1,528	1,388
16 Estate and gift taxes	15,225	14,763	8,197	7,071	7,424	7,718	1,090	1,137	2,704
17 Miscellaneous receipts[5]	22,274	31,944	11,170	13,305	15,749	11,374	1,517	2,467	1,680
OUTLAYS									
18 **All types**	**1,460,841**	**1,519,133**	**710,620**	**752,151**	**760,824**	**752,511[r]**	**133,644**	**136,286**	**130,993**
19 National defense	281,642	272,066	133,844	141,885	135,862	132,954	21,691	22,479	22,725
20 International affairs	17,083	16,434	5,800	11,889	4,798[r]	6,994	2,604	1,391	988
21 General science, space, and technology	16,227	16,724	8,502	7,604	8,611	8,810	1,326	1,381	1,534
22 Energy	5,219	4,936	2,237	2,923	2,357[r]	2,203	54	131	17
23 Natural resources and environment	21,064	22,105	10,111	11,911	10,272	12,633	1,817	1,592	1,660
24 Agriculture	15,046	9,773	7,451	7,623	4,040	3,062	345	−62	−249
25 Commerce and housing credit	−5,118	−14,441	−4,962	−4,270	−13,937[r]	−4,412	−1,024	−1,443	−1,741
26 Transportation	38,066	39,350	16,739	21,835	18,193	19,931	2,960	2,864	2,864
27 Community and regional development	10,454	10,641	4,571	6,283	4,858	6,085	396	1,007	1,026
28 Education, training, employment, and social services	46,307	54,263	19,262	27,450	25,850[r]	24,894[r]	4,521[r]	4,301[r]	4,014
29 Health	107,122	115,418	53,195	54,147	58,904[r]	57,078[r]	9,540[r]	10,317[r]	10,458
30 Social security and Medicare	464,312	495,701	232,777	236,817	251,975	251,387	42,950	43,239	44,216
31 Income security	214,031	220,449	109,080	101,806	117,385[r]	104,078[r]	23,792[r]	25,927[r]	21,417
32 Veterans benefits and services	37,642	37,938	16,686	19,761	19,268	18,684	2,901	3,300	2,974
33 Administration of justice	15,256	16,223	7,718	7,753	8,054[r]	8,117[r]	1,280[r]	1,341[r]	1,585
34 General government	11,303	13,835	5,084	7,355	5,796[r]	7,621[r]	1,575	766	−25
35 Net interest[6]	202,957	232,173	99,844	109,434	116,169[r]	119,350	19,771	20,244	20,463
36 Undistributed offsetting receipts[7]	−37,772	−44,455	−17,308	−20,066	−17,632	−26,994	−2,855	−2,490	−2,932

1. Functional details do not sum to total outlays for calendar year data because revisions to monthly totals have not been distributed among functions. Fiscal year total for receipts and outlays do not correspond to calendar year data because revisions from the *Budget* have not been fully distributed across months.

2. Old-age, disability, and hospital insurance, and railroad retirement accounts.

3. Old-age, disability, and hospital insurance.

4. Federal employee retirement contributions and civil service retirement and disability fund.

5. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.

6. Includes interest received by trust funds.

7. Rents and royalties for the outer continental shelf, U.S. government contributions for employee retirement, and certain asset sales.

SOURCE. Fiscal year totals: U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 1997*; monthly and half-year totals: U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government.*

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars, end of month

Item	1994				1995				1996
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31
1 **Federal debt outstanding**	**4,602**	**4,673**	**4,721**	**4,827**	**4,891**	**4,978**	**5,001**	**5,017**	**5,153**
2 Public debt securities	4,576	4,646	4,693	4,800	4,864	4,951	4,974	4,989	5,118
3 Held by public	3,434	3,443	3,480	3,543	3,610	3,635	3,653	3,684	n.a.
4 Held by agencies	1,142	1,203	1,213	1,257	1,255	1,317	1,321	1,305	n.a.
5 Agency securities	26	28	29	27	27	27	27	28	36
6 Held by public	26	27	29	27	26	27	27	28	n.a.
7 Held by agencies	0	0	0	0	0	0	0	0	n.a.
8 **Debt subject to statutory limit**	**4,491**	**4,559**	**4,605**	**4,711**	**4,775**	**4,861**	**4,885**	**4,900**	**5,030**
9 Public debt securities	4,491	4,559	4,605	4,711	4,774	4,861	4,885	4,900	5,030
10 Other debt[1]	0	0	0	0	0	0	0	0	0
MEMO									
11 Statutory debt limit	4,900	4,900	4,900	4,900	4,900	4,900	4,900	4,900	5,500

1. Consists of guaranteed debt of U.S. Treasury and other federal agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

SOURCE. U.S. Department of the Treasury, *Monthly Statement of the Public Debt of the United States* and *Treasury Bulletin.*

1.41 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

Type and holder	1992	1993	1994	1995	1995			1996
					Q2	Q3	Q4	Q1
1 **Total gross public debt**	**4,177.0**	**4,535.7**	**4,800.2**	**4,988.7**	**4,951.4**	**4,974.0**	**4,988.7**	**5,117.8**
By type								
2 Interest-bearing	4,173.9	4,532.3	4,769.2	4,964.4	4,947.8	4,950.6	4,964.4	5,083.0
3 Marketable	2,754.1	2,989.5	3,126.0	3,307.2	3,252.6	3,260.5	3,307.2	3,375.1
4 Bills	657.7	714.6	733.8	760.7	748.3	742.5	760.7	811.9
5 Notes	1,608.9	1,764.0	1,867.0	2,010.3	1,974.7	1,980.3	2,010.3	2,014.1
6 Bonds	472.5	495.9	510.3	521.2	514.7	522.6	521.2	534.1
7 Nonmarketable[1]	1,419.8	1,542.9	1,643.1	1,657.2	1,695.2	1,690.2	1,657.2	1,707.9
8 State and local government series	153.5	149.5	132.6	104.5	121.2	113.4	104.5	96.5
9 Foreign issues[2]	37.4	43.5	42.5	40.8	41.4	41.0	40.8	40.4
10 Government	37.4	43.5	42.5	40.8	41.4	41.0	40.8	40.4
11 Public	.0	.0	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	155.0	169.4	177.8	181.9	180.1	181.2	181.9	183.0
13 Government account series[3]	1,043.5	1,150.0	1,259.8	1,299.6	1,322.0	1,324.3	1,299.6	1,357.7
14 Non-interest-bearing	3.1	3.4	31.0	24.3	3.6	23.3	24.3	34.8
By holder[4]								
15 U.S. Treasury and other federal agencies and trust funds	1,047.8	1,153.5	1,257.1	1,304.5	1,316.6	1,320.8	1,304.5	
16 Federal Reserve Banks	302.5	334.2	374.1	391.0	389.0	374.1	391.0	
17 Private investors	2,839.9	3,047.4	3,168.0	3,294.9	3,245.0	3,279.5	3,294.9	
18 Commercial banks	294.4	322.2	290.1	285.0	298.0	289.0	285.0	
19 Money market funds	79.7	80.8	67.6	71.3	58.7	64.2	71.3	
20 Insurance companies	197.5	234.5	240.1	252.0	248.6	250.5	252.0	
21 Other companies	192.5	213.0	226.5	288.8	227.7	224.1	288.8	n.a.
22 State and local treasuries[5,6]	579.3	631.9	521.4	420.0	470.9	422.9	420.0	
Individuals								
23 Savings bonds	157.3	171.9	180.5	185.0	182.6	183.5	185.0	
24 Other securities	131.9	137.9	150.7	162.7	161.6	162.4	162.7	
25 Foreign and international[7]	549.7	623.0	688.6	861.8	784.1	848.1	861.8	
26 Other miscellaneous investors[6,8]	657.5	632.3	802.5	768.3	812.8	834.8	768.3	

1. Includes (not shown separately) securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.
2. Nonmarketable series denominated in dollars, and series denominated in foreign currency held by foreigners.
3. Held almost entirely by U.S. Treasury and other federal agencies and trust funds.
4. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
5. Includes state and local pension funds.
6. In March 1996, in a redefinition of series, fully defeased debt backed by nonmarketable federal securities was removed from "Other miscellaneous investors" and added to "State and local treasuries." The data shown here have been revised accordingly.
7. Consists of investments of foreign balances and international accounts in the United States.
8. Includes savings and loan associations, nonprofit institutions, credit unions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain U.S. Treasury deposit accounts, and federally sponsored agencies.

SOURCE. U.S. Treasury Department, data by type of security, *Monthly Statement of the Public Debt of the United States;* data by holder, *Treasury Bulletin.*

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions[1]

Millions of dollars, daily averages

Item	1996			1996, week ending								
	Jan.	Feb.	Mar.	Feb. 28	Mar. 6	Mar. 13	Mar. 20	Mar. 27	Apr. 3	Apr. 10	Apr. 17	Apr. 24
OUTRIGHT TRANSACTIONS[2]												
By type of security												
1 U.S. Treasury bills	53,618	65,579	56,391	75,724	65,246	58,612	52,050	45,640	70,854	57,295	52,787	50,364
Coupon securities, by maturity												
2 Five years or less	102,266[r]	125,757[r]	107,071[r]	147,502[r]	122,556[r]	139,682	94,120	81,877	89,934	100,814	102,533	102,601
3 More than five years	54,482[r]	67,611[r]	49,903[r]	61,941	55,182	62,778	44,519	42,142	40,022	41,521	44,926	39,363
4 Federal agency	27,947	26,759	27,384[r]	26,578	27,494	27,651	25,997	28,636	26,832	20,583	30,480	30,338
5 Mortgage-backed	37,007[r]	40,768[r]	42,009[r]	30,067	41,005[r]	62,283	35,232	28,483	44,085	47,964	33,797	24,445
By type of counterparty												
With interdealer broker												
6 U.S. Treasury	123,512	148,665	124,458	164,587	137,632	152,717	113,332	101,779	111,975	115,861	114,531	112,998
7 Federal agency	954	1,107	671	799	650	702	621	739	586	648	697	1,046
8 Mortgage-backed	12,634	14,663	15,677	10,950	14,124	24,033	13,603	10,526	15,954	13,993	12,045	8,139
With other												
9 U.S. Treasury	86,854[r]	110,281[r]	88,907[r]	120,579[r]	105,352[r]	108,355	77,357	67,880	88,835	83,768	85,715	79,331
10 Federal agency	26,993	25,652	26,713[r]	25,779	26,844	26,949	25,376	27,897	26,246	19,935	29,783	29,291
11 Mortgage-backed	24,373[r]	26,106	26,331[r]	19,117	26,880[r]	38,250	21,629	17,956	28,131	33,971	21,753	16,307
FUTURES TRANSACTIONS[3]												
By type of deliverable security												
12 U.S. Treasury bills	451	346	487	305	492	567	591	410	212	541	302	581
Coupon securities, by maturity												
13 Five years or less	1,592	2,269	2,055	3,186	2,990	2,524	1,845	1,385	1,216	1,435	1,443	1,031
14 More than five years	14,331	17,420	14,824	17,566	17,128	18,600	15,054	10,829	10,186	12,738	14,023	10,297
15 Federal agency	0	0	0	0	0	0	0	0	0	0	0	0
16 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0	0
OPTIONS TRANSACTIONS[4]												
By type of underlying security												
17 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity												
18 Five years or less	1,860	2,730	2,775[r]	3,918	4,262	3,381	1,914	2,067	2,213	1,376	1,585	1,408
19 More than five years	4,109	4,580	3,073[r]	3,653	3,476	3,967	2,366	2,547	3,117	3,712	4,669	3,625
20 Federal agency	0	0	0	0	0	0	0	0	0	0	0	0
21 Mortgage-backed	860	1,341	1,125	909	1,720	1,600	792	459	1,250	1,401	979	1,116

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Monthly averages are based on the number of trading days in the month. Transactions are assumed evenly distributed among the trading days of the report week. Immediate, forward, and futures transactions are reported at principal value, which does not include accrued interest; options transactions are reported at the face value of the underlying securities.

Dealers report cumulative transactions for each week ending Wednesday.

2. Outright transactions include immediate and forward transactions. Immediate delivery refers to purchases or sales of securities (other than mortgage-backed federal agency securities) for which delivery is scheduled in five business days or less and "when-issued" securities that settle on the issue date of offering. Transactions for immediate delivery of mortgage-backed agency securities include purchases and sales for which delivery is scheduled in thirty business days or less. Stripped securities are reported at market value by maturity of coupon or corpus.

Forward transactions are agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

3. Futures transactions are standardized agreements arranged on an exchange. All futures transactions are included regardless of time to delivery.

4. Options transactions are purchases or sales of put and call options, whether arranged on an organized exchange or in the over-the-counter market, and include options on futures contracts on U.S. Treasury and federal agency securities.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing[1]

Millions of dollars

Item	1996			1996, week ending							
	Jan.	Feb.	Mar.	Feb. 28	Mar. 6	Mar. 13	Mar. 20	Mar. 27	Apr. 3	Apr. 10	Apr. 17
	Positions[2]										
NET OUTRIGHT POSITIONS[3]											
By type of security											
1 U.S. Treasury bills	9,173	8,316	20,889	14,082	17,288	21,460	13,482	17,133	44,826	24,141	12,884
Coupon securities, by maturity											
2 Five years or less	21,332	11,937	6,296	9,208	8,753	6,044	7,306	4,521	4,387	8,709	4,651
3 More than five years	−14,408	−14,139	−24,377	−19,897	−18,223	−24,674	−25,707	−26,817	−26,494	−31,028	−28,372
4 Federal agency	23,115	23,424	25,754	24,586	21,197	30,359	27,515	24,288	24,016	25,682	23,995
5 Mortgage-backed	38,362	40,161	36,887	40,488	39,464	37,792	38,374	35,091	31,979	31,757	33,353
NET FUTURES POSITIONS[4]											
By type of deliverable security											
6 U.S. Treasury bills	−2,787	−2,582	−2,842	−2,059	−1,418	−2,106	−3,929	−3,450	−3,298	−2,626	−2,685
Coupon securities, by maturity											
7 Five years or less	−2,534	−587	623	1,327	551	1,211	460	420	346	1,419	1,222
8 More than five years	−12,781	−9,037	−4,361	−3,348	−6,594	−2,425	−4,030	−4,228	−5,215	−1,462	−3,418
9 Federal agency	0	0	0	0	0	0	0	0	0	0	0
10 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0
NET OPTIONS POSITIONS											
By type of deliverable security											
11 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity											
12 Five years or less	−931	5	1,381	1,463	887	613	1,100	2,352	2,257	1,720	1,796
13 More than five years	7,488	2,706	177	−564	759	−1,562	−1,578	1,916	2,377	1,946	572
14 Federal agency	0	0	0	0	0	0	0	0	0	0	0
15 Mortgage-backed	638	3,052	4,949	5,191	4,048	5,614	5,403	5,336	3,662	4,896	4,275
	Financing[5]										
Reverse repurchase agreements											
16 Overnight and continuing	258,137	264,519	258,180	255,386	264,678	264,903	262,954	246,224	249,234	273,465	264,387
17 Term	405,768	424,730	435,402	406,947	397,073	439,536	450,306	454,766	425,695	445,217	475,409
Securities borrowed											
18 Overnight and continuing	171,843	166,781	172,347	169,882	176,708	177,763	176,291	163,981	164,068	170,460	166,267
19 Term	59,920	65,051	66,212	65,419	65,699	66,423	66,505	66,757	65,146	64,465	67,651
Securities received as pledge											
20 Overnight and continuing	3,114	1,878	4,477	2,044	2,686	5,088	6,067	4,136	3,910	4,377	3,532
21 Term	53	126	65	51	66	90	57	31	92	53	81
Repurchase agreements											
22 Overnight and continuing	553,719	562,396	557,094	552,013	565,231	576,134	565,550	519,437	562,672	594,664	600,073
23 Term	368,819	387,953	393,406	366,235	355,933	398,797	403,225	421,272	374,236	377,959	392,801
Securities loaned											
24 Overnight and continuing	5,566	4,714	5,202	5,183	5,345	5,429	5,406	4,815	4,909	4,852	4,592
25 Term	1,578	2,409	2,362	2,509	2,552	2,470	2,178	2,327	2,270	n.a.	n.a.
Securities pledged											
26 Overnight and continuing	34,769	33,230	40,936	34,748	38,677	39,007	42,694	45,736	36,223	36,552	38,533
27 Term	5,597	7,230	8,343	8,039	8,135	7,932	8,206	9,180	8,148	8,088	8,837
Collateralized loans											
28 Overnight and continuing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
29 Term	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
30 Total	17,606	14,667	12,176	13,054	13,062	10,210	11,300	12,901	14,555	14,443	15,108
MEMO: Matched book[6]											
Securities in											
31 Overnight and continuing	264,459	253,184	239,222	239,549	239,209	241,556	244,345	228,895	244,262	253,477	248,186
32 Term	403,403	426,185	434,020	409,045	404,360	442,808	445,405	444,794	424,355	438,212	471,260
Securities out											
33 Overnight and continuing	334,864	333,340	328,321	312,477	324,965	331,758	339,704	310,201	339,129	364,716	359,919
34 Term	318,147	330,450	338,096	311,512	306,521	341,791	344,393	363,719	323,134	324,955	345,158

1. Data for positions and financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Weekly figures are close-of-business Wednesday data. Positions for calendar days of the report week are assumed to be constant. Monthly averages are based on the number of calendar days in the month.

2. Securities positions are reported at market value.

3. Net outright positions include immediate and forward positions. Net immediate positions include securities purchased or sold (other than mortgage-backed agency securities) that have been delivered or are scheduled to be delivered in five business days or less and "when-issued" securities that settle on the issue date of offering. Net immediate positions for mortgage-backed agency securities include securities purchased or sold that have been delivered or are scheduled to be delivered in thirty business days or less.

Forward positions reflect agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

4. Futures positions reflect standardized agreements arranged on an exchange. All futures positions are included regardless of time to delivery.

5. Overnight financing refers to agreements made on one business day that mature on the next business day; continuing contracts are agreements that remain in effect for more than one business day but have no specific maturity and can be terminated without advance notice by either party; term agreements have a fixed maturity of more than one business day. Financing data are reported in terms of actual funds paid or received, including accrued interest.

6. Matched-book data reflect financial intermediation activity in which the borrowing and lending transactions are matched. Matched-book data are included in the financing breakdowns given above. The reverse repurchase and repurchase numbers are not always equal because of the "matching" of securities of different values or different types of collateralization.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1992	1993	1994	1995	1995			1996	
					Oct.	Nov.	Dec.	Jan.	Feb.
1 **Federal and federally sponsored agencies**	**483,970**	**570,711**	**738,928**	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2 Federal agencies	41,829	45,193	39,186	37,347	38,237	39,207	37,347	37,273	31,986
3 Defense Department[1]	7	6	6	6	6	6	6	6	6
4 Export-Import Bank[2,3]	7,208	5,315	3,455	2,050	2,512	2,512	2,050	2,050	2,050
5 Federal Housing Administration[4]	374	255	116	97	88	93	97	31	35
6 Government National Mortgage Association certificates of participation[5]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
7 Postal Service[6]	10,660	9,732	8,073	5,765	7,265	7,265	5,765	5,765	300
8 Tennessee Valley Authority	23,580	29,885	27,536	29,429	28,366	29,331	29,429	29,421	29,595
9 United States Railway Association[6]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 Federally sponsored agencies[7]	442,141	523,452	699,742	807,264	778,862	791,660	807,264	799,547	808,398
11 Federal Home Loan Banks	114,733	139,512	205,817	243,194	234,192	239,034	243,194	234,664	233,404
12 Federal Home Loan Mortgage Corporation	29,631	49,993	93,279	119,961	115,626	115,603	119,961	120,868	123,777
13 Federal National Mortgage Association	166,300	201,112	257,230	299,174	280,582	289,768	299,174	297,657	304,159
14 Farm Credit Banks[8]	51,910	53,123	53,175	57,379	56,529	56,694	57,379	58,659	57,536
15 Student Loan Marketing Association[9]	39,650	39,784	50,335	47,529	51,906	50,535	47,529	47,673	49,495
16 Financing Corporation[10]	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170
17 Farm Credit Financial Assistance Corporation[11]	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261
18 Resolution Funding Corporation[12]	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996
MEMO									
19 **Federal Financing Bank debt**[13]	**154,994**	**128,187**	**103,817**	**78,681**	**82,622**	**81,693**	**78,681**	**78,512**	**68,037**
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	7,202	5,309	3,449	2,044	2,506	2,506	2,044	2,044	2,044
21 Postal Service[6]	10,440	9,732	8,073	5,765	7,265	7,265	5,765	5,765	300
22 Student Loan Marketing Association	4,790	4,760	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
23 Tennessee Valley Authority	6,975	6,325	3,200	3,200	3,200	3,200	3,200	3,200	n.a.
24 United States Railway Association[6]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other lending[14]									
25 Farmers Home Administration	42,979	38,619	33,719	21,015	26,210	21,015	21,015	21,015	21,015
26 Rural Electrification Administration	18,172	17,578	17,392	17,144	17,045	17,141	17,144	17,026	17,040
27 Other	64,436	45,864	37,984	29,513	26,396	30,566	29,513	29,462	27,638

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.
2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.
3. On-budget since Sept. 30, 1976.
4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.
5. Certificates of participation issued before fiscal year 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration, the Department of Health, Education, and Welfare, the Department of Housing and Urban Development, the Small Business Administration, and the Veterans Administration.
6. Off-budget.
7. Includes outstanding noncontingent liabilities: notes, bonds, and debentures. Includes Federal Agricultural Mortgage Corporation; therefore details do not sum to total. Some data are estimated.
8. Excludes borrowing by the Farm Credit Financial Assistance Corporation, which is shown on line 17.
9. Before late 1982, the association obtained financing through the Federal Financing Bank (FFB). Borrowing excludes that obtained from the FFB, which is shown on line 22.
10. The Financing Corporation, established in August 1987 to recapitalize the Federal Savings and Loan Insurance Corporation, undertook its first borrowing in October 1987.
11. The Farm Credit Financial Assistance Corporation, established in January 1988 to provide assistance to the Farm Credit System, undertook its first borrowing in July 1988.
12. The Resolution Funding Corporation, established by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, undertook its first borrowing in October 1989.
13. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Because FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table to avoid double counting.
14. Includes FFB purchases of agency assets and guaranteed loans; the latter are loans guaranteed by numerous agencies, with the amounts guaranteed by any one agency generally being small. The Farmers Home Administration entry consists exclusively of agency assets, whereas the Rural Electrification Administration entry consists of both agency assets and guaranteed loans.

1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1993	1994	1995	1995				1996			
				Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.	Mar.	Apr.
1 **All issues, new and refunding**[1]	**279,945**	**153,950**	**143,101**	**9,750**	**13,898**	**16,839**	**16,978**	**11,545**	**11,598**	**15,244**	**13,199**
By type of issue											
2 General obligation	90,599	54,404	55,737	3,482	6,184	6,194	5,489	6,074	2,063	4,846	5,083
3 Revenue	189,346	99,546	86,555	6,268	7,714	10,645	11,489	5,471	9,535	10,398	8,116
By type of issuer											
4 State	27,999	19,186	14,215	1,510	1,825	1,491	951	1,630	695	904	926
5 Special district or statutory authority[2]	178,714	95,896	91,419	5,807	8,155	10,736	11,678	7,052	7,820	10,141	9,571
6 Municipality, county, or township	73,232	38,868	36,658	2,433	3,918	4,612	4,349	2,863	3,083	4,199	2,702
7 **Issues for new capital**	**91,434**	**105,972**	**94,412**	**6,095**	**7,868**	**11,415**	**11,070**	**6,517**	**6,383**	**10,621**	**9,487**
By use of proceeds											
8 Education	16,831	21,267	24,926	1,474	1,785	3,377	2,968	2,065	2,226	1,847	2,142
9 Transportation	9,167	10,836	11,887	447	367	1,469	1,178	573	359	1,417	682
10 Utilities and conservation	12,014	10,192	9,618	569	1,780	554	1,664	439	582	892	592
11 Social welfare	13,837	20,289	18,612	1,140	1,716	2,177	1,614	935	904	2,715	1,669
12 Industrial aid	6,862	8,161	6,566	654	227	650	1,325	322	110	785	751
13 Other purposes	32,723	35,227	26,518	1,811	1,993	3,188	2,321	2,183	2,202	2,965	3,651

1. Par amounts of long-term issues based on date of sale.
2. Includes school districts.

SOURCE. Securities Data Company beginning January 1993; *Investment Dealer's Digest* before then.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue, offering, or issuer	1993	1994	1995	1995					1996		
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.[r]	Mar.
1 **All issues**[1]	**769,088**	**583,240**	n.a.	**50,163**	**57,262**	**52,112**	**55,349**	**40,149**	**47,094**[r]	**60,485**	**54,239**
2 **Bonds**[2]	**646,634**	**498,039**	n.a.	**43,911**	**49,905**	**43,452**	**47,568**	**34,619**	**42,343**[r]	**51,330**	**47,071**
By type of offering											
3 Public, domestic	487,029	365,222	408,806	34,490	43,137	36,692	43,336	32,219	33,582[r]	44,904	40,327
4 Private placement, domestic[3]	121,226	76,065	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Sold abroad	38,379	56,755	76,910	9,421	6,768	6,760	4,232	2,399	8,761	6,426	6,744
By industry group											
6 Manufacturing	88,160	43,423	42,950	4,082	3,284	3,397	4,017	3,205	3,759	2,472	3,210
7 Commercial and miscellaneous	58,559	40,735	37,139	2,480	2,607	3,532	4,178	3,099	2,151	2,601	3,852
8 Transportation	10,816	6,867	5,727	133	908	187	225	1,240	664	354	57
9 Public utility	56,330	13,322	11,974	640	911	1,241	485	685	1,821[r]	955	678
10 Communication	31,950	13,340	18,158	1,240	2,829	2,389	3,333	648	748	2,691	1,873
11 Real estate and financial	400,820	380,352	369,769	35,335	39,365	32,706	35,330	25,742	33,200[r]	42,258	37,401
12 **Stocks**[2]	**122,454**	**85,155**	n.a.	**6,252**	**7,357**	**8,660**	**7,781**	**5,530**	**4,751**[r]	**9,155**	**7,168**
By type of offering											
13 Public preferred	18,897	12,570	10,964	1,261	1,035	836	2,210	890	2,167	3,258	967
14 Common	82,657	47,828	57,809	5,005	6,322	7,824	5,571	4,640	2,584[r]	5,897	6,201
15 Private placement[3]	20,900	24,800	↑	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By industry group											
16 Manufacturing	22,271	17,798		n.a.	2,383	1,815	2,209	681	406	1,452	1,896
17 Commercial and miscellaneous	25,761	15,713	n.a.	1,541	2,801	4,628	3,274	2,632	2,404	2,750	3,518
18 Transportation	2,237	2,203		87	32	39	97	156	38	141	222
19 Public utility	7,050	2,214		91	190	60	36	322	115	809	319
20 Communication	3,439	494		0	47	0	0	0	200	122	82
21 Real estate and financial	61,004	46,733	↓	2,273	1,905	2,118	2,166	1,739	1,588[r]	3,714	1,130

1. Figures represent gross proceeds of issues maturing in more than one year; they are the principal amount or number of units calculated by multiplying by the offering price. Figures exclude secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, equities sold abroad, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.
2. Monthly data cover only public offerings.
3. Monthly data are not available.

SOURCE. Beginning July 1993, Securities Data Company and the Board of Governors of the Federal Reserve System.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Assets[1]

Millions of dollars

Item	1994	1995	1995 Aug.	1995 Sept.	1995 Oct.	1995 Nov.	1995 Dec.	1996 Jan.	1996 Feb.	1996 Mar.
1 **Sales of own shares**[2]	**841,286**	**871,415**	**72,113**	**68,694**	**72,730**	**70,499**	**94,719**	**112,332**	**90,370**	**93,856**
2 Redemptions of own shares	699,823	699,497	57,610	54,473	56,174	52,727	67,945	75,354	60,398	65,748
3 Net sales[3]	141,463	171,918	14,503	14,221	16,556	17,772	26,774	36,978	29,972	28,108
4 **Assets**[4]	**1,550,490**	**2,067,337**	**1,908,525**	**1,962,817**	**1,963,496**	**2,032,958**	**2,067,337**	**2,143,185**	**2,181,711**	**2,213,275**
5 Cash[5]	121,296	142,572	127,173	127,446	133,653	141,489	142,572	150,772	144,520	142,697
6 Other	1,429,195	1,924,765	1,781,352	1,835,371	1,829,843	1,891,470	1,924,765	1,992,414	2,037,191	2,069,820

1. Data on sales and redemptions exclude money market mutual funds but include limited-maturity municipal bond funds. Data on asset positions exclude both money market mutual funds and limited-maturity municipal bond funds.
2. Includes reinvestment of net income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes sales and redemptions resulting from transfers of shares into or out of money market mutual funds within the same fund family.
4. Market value at end of period, less current liabilities.
5. Includes all U.S. Treasury securities and other short-term debt securities.

SOURCE. Investment Company Institute. Data based on reports of membership, which comprises substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect underwritings of newly formed companies after their initial offering of securities.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data at seasonally adjusted annual rates

Account	1993	1994	1995	1994 Q2	1994 Q3	1994 Q4	1995 Q1	1995 Q2	1995 Q3	1995 Q4	1996 Q1
1 Profits with inventory valuation and capital consumption adjustment	464.5	526.5	588.6	531.5	549.8	568.9	559.6	561.1	614.9	618.6	n.a.
2 Profits before taxes	464.3	528.2	600.8	523.2	547.5	570.4	594.1	588.4	609.6	611.0	n.a.
3 Profits-tax liability	163.8	195.3	218.7	192.8	203.4	213.5	217.3	214.2	224.5	218.7	n.a.
4 Profits after taxes	300.5	332.9	382.1	330.4	344.1	356.8	376.8	374.1	385.1	392.3	n.a.
5 Dividends	197.3	211.0	227.4	208.8	212.5	218.5	221.7	224.6	228.5	234.7	239.9
6 Undistributed profits	103.3	121.9	154.7	121.7	131.6	138.3	155.1	149.6	156.6	157.6	n.a.
7 Inventory valuation	−6.6	−13.3	−28.1	−9.8	−16.5	−22.8	−51.9	−42.3	−9.3	−8.8	−13.2
8 Capital consumption adjustment	6.7	11.6	15.9	18.1	18.8	21.3	17.4	15.0	14.6	16.5	19.8

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities[1]

Billions of dollars, end of period; not seasonally adjusted

Account	1993	1994	1995	1994 Q2	1994 Q3	1994 Q4	1995 Q1	1995 Q2	1995 Q3	1995 Q4
ASSETS										
1 Accounts receivable, gross[2]	482.8	551.0	614.6	511.3	524.1	551.0	568.5	586.9	594.7	614.6
2 Consumer	116.5	134.8	152.0	124.3	130.3	134.8	135.8	141.7	146.2	152.0
3 Business	294.6	337.6	375.9	313.2	317.2	337.6	351.9	361.8	362.4	375.9
4 Real estate	71.7	78.5	86.6	73.8	76.6	78.5	80.8	83.4	86.1	86.6
5 LESS: Reserves for unearned income	50.7	55.0	63.2	51.9	51.1	55.0	58.9	62.1	61.2	63.2
6 Reserves for losses	11.2	12.4	14.1	12.1	12.1	12.4	12.9	13.7	13.8	14.1
7 Accounts receivable, net	420.9	483.5	537.3	447.3	460.9	483.5	496.7	511.1	519.7	537.3
8 All other	170.9	183.4	210.7r	174.6	177.2	183.4	194.6	198.1	198.1	210.7r
9 **Total assets**	**591.8**	**666.9**	**748.0r**	**621.9**	**638.1**	**666.9**	**691.4**	**709.2**	**717.8**	**748.0r**
LIABILITIES AND CAPITAL										
10 Bank loans	25.3	21.2	23.1	23.3	21.6	21.2	21.0	21.5	21.8	23.1
11 Commercial paper	159.2	184.6	184.5	171.2	171.0	184.6	181.3	181.3	178.0	184.5
Debt										
12 Owed to parent	42.7	51.0	62.3	44.7	50.0	51.0	52.5	57.5	59.0	62.3
13 Not elsewhere classified	206.0	235.0	284.7	219.6	228.2	235.0	254.4	264.4	272.1	284.7
14 All other liabilities	87.1	99.5	106.2r	89.9	95.0	99.5	102.5	102.1	102.4	106.2r
15 Capital, surplus, and undivided profits	71.4	75.7	87.2	73.2	72.3	75.7	79.7	82.5	84.4	87.2
16 **Total liabilities and capital**	**591.8**	**666.9**	**748.0r**	**621.9**	**638.1**	**666.9**	**691.4**	**709.2**	**717.8**	**748.0r**

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are amounts carried on the balance sheets of finance companies; securitized pools are not shown, as they are not on the books.

2. Before deduction for unearned income and losses.

1.52 DOMESTIC FINANCE COMPANIES Consumer, Real Estate, and Business Credit[1]

Millions of dollars, amounts outstanding, end of period

Type of credit	1993	1994	1995	1995 Oct.	1995 Nov.	1995 Dec.	1996r Jan.	1996r Feb.	1996r Mar.
	Seasonally adjusted								
1 **Total**	**545,533**	**614,784**	**690,191**	**682,627**	**687,187**	**690,191**	**696,836**	**702,118**	**704,055**
2 Consumer	160,349	176,198	198,860	194,620	197,303	198,860	199,872	202,243	202,913
3 Real estate[2]	71,965	78,770	86,944	87,266	87,699	86,944	88,074	88,001	89,523
4 Business	313,219	359,816	404,387	400,741	402,185	404,387	408,889	411,874	411,619
	Not seasonally adjusted								
5 **Total**	**550,751**	**620,975**	**697,340**	**681,965**	**687,944**	**697,340**	**697,312**	**700,927**	**707,074**
6 Consumer	162,770	178,999	202,101	194,931	198,072	202,101	201,774	202,108	203,626
7 Motor vehicles	56,057	61,609	70,061	70,816	68,167	70,061	71,420	73,312	73,418
8 Other consumer[3]	60,396	73,221	81,988	77,865	78,926	81,988	81,186	81,214	79,779
9 Securitized motor vehicles[4]	36,024	31,897	33,633	30,096	34,394	33,633	32,128	30,364	31,093
10 Securitized other consumer[4]	10,293	12,272	16,419	16,154	16,585	16,419	17,040	17,218	19,336
11 Real estate[2]	71,727	78,479	86,606	87,471	87,672	86,606	88,495	88,520	89,056
12 Business	316,254	363,497	408,633	399,563	402,200	408,633	407,043	410,299	414,392
13 Motor vehicles	95,173	118,197	133,277	129,216	129,708	133,277	132,062	132,153	134,098
14 Retail[5]	18,091	21,514	25,304	25,752	24,564	25,304	25,906	26,591	27,140
15 Wholesale[6]	31,148	35,037	36,427	32,209	33,519	36,427	34,198	33,386	33,910
16 Leasing	45,934	61,646	71,546	71,255	71,625	71,546	71,958	72,176	73,048
17 Equipment	145,452	157,953	177,297	172,657	173,183	177,297	175,984	175,812	176,941
18 Retail	35,513	39,680	48,843	43,697	44,194	48,843	48,737	48,660	48,696
19 Wholesale[6]	8,001	9,678	10,266	11,581	10,889	10,266	9,260	8,914	9,213
20 Leasing	101,938	108,595	118,188	117,379	118,100	118,188	117,987	118,238	119,032
21 Other business[7]	53,997	61,495	65,363	66,238	66,678	65,363	66,643	68,070	69,976
22 Securitized business assets[4]	21,632	25,852	32,696	31,452	32,631	32,696	32,354	34,264	33,377
23 Retail	2,869	4,494	4,723	4,586	4,974	4,723	4,467	4,252	4,067
24 Wholesale	10,584	14,826	21,327	20,390	21,208	21,327	21,130	23,460	22,622
25 Leasing	8,179	6,532	6,646	6,476	6,449	6,646	6,757	6,552	6,688

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are before deductions for unearned income and losses. Data in this table also appear in the Board's G.20 (422) monthly statistical release. For ordering address, see inside front cover.

2. Includes all loans secured by liens on any type of real estate, for example, first and junior mortgages and home equity loans.

3. Includes personal cash loans, mobile home loans, and loans to purchase other types of consumer goods such as appliances, apparel, general merchandise, and recreation vehicles.

4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

5. Passenger car fleets and commercial land vehicles for which licenses are required.

6. Credit arising from transactions between manufacturers and dealers, that is, floor plan financing.

7. Includes loans on commercial accounts receivable, factored commercial accounts, and receivable dealer capital; small loans used primarily for business or farm purposes; and wholesale and lease paper for mobile homes, campers, and travel trailers.

1.53 MORTGAGE MARKETS Mortgages on New Homes

Millions of dollars except as noted

Item	1993	1994	1995	1995			1996			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Terms[1]										
1 Purchase price (thousands of dollars)	163.1	170.4	175.8	174.3	178.6	181.7	179.2	181.7	184.5	175.2
2 Amount of loan (thousands of dollars)	123.0	130.8	134.5	133.0	136.4	140.9	135.8	143.2	141.5	133.2
3 Loan-to-price ratio (percent)	78.0	78.8	78.6	77.8	78.9	79.1	77.3	80.3	77.8	78.4
4 Maturity (years)	26.1	27.5	27.7	26.6	27.7	27.6	27.7	27.8	26.4	27.1
5 Fees and charges (percent of loan amount)[2]	1.30	1.29	1.21	1.11	1.22	1.21	1.07	1.24	1.30	1.17
Yield (percent per year)										
6 Contract rate[1]	7.03	7.26	7.65	7.39	7.27	7.20	7.15	7.00	7.25	7.57
7 Effective rate[1,3]	7.24	7.47	7.85	7.58	7.46	7.40	7.32	7.20	7.49	7.76
8 Contract rate (HUD series)[4]	7.37	8.58	8.05	7.62	7.46	7.30	7.23	7.56	7.97	8.22
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (Section 203)[5]	7.46	8.68	8.18	7.61	7.51	7.52	7.11	7.57	8.09	8.52
10 GNMA securities[6]	6.65	7.96	7.57	7.16	7.01	6.82	6.71	6.85	7.40	7.63
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	190,861	222,057	253,511	246,234	249,928	253,511	255,619	257,970	262,014	263,809
12 FHA/VA insured	23,857	27,558	28,762	28,765	28,901	28,762	28,622	28,502	28,744	29,132
13 Conventional	167,004	194,499	224,749	217,469	221,027	224,749	226,997	229,468	233,270	234,677
14 Mortgage transactions purchased (during period)	92,037	62,389	56,598	7,443	6,148	6,243	4,810	5,371	7,681	5,339
Mortgage commitments (during period)										
15 Issued[7]	92,537	54,038	56,092	6,732	6,038	4,765	5,750	7,013	6,293	5,599
16 To sell[8]	5,097	1,820	360	0	10	0	3	0	29	0
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	55,012	72,693	107,424	99,758	102,997	107,424	111,143	114,793	117,420	119,520
18 FHA/VA insured	321	276	267	276	271	267	226	223	220	216
19 Conventional	54,691	72,416	107,157	99,482	102,726	107,157	110,917	114,570	117,200	119,304
Mortgage transactions (during period)										
20 Purchases	229,242	124,697	98,470	11,092	9,989	13,108	13,357	10,891	11,984	12,740
21 Sales	208,723	117,110	85,877	9,856	9,011	11,712	11,624	9,733	11,384	11,958
22 Mortgage commitments contracted (during period)[9]	274,599	136,067	118,659	10,388	11,339	14,609	12,765	10,378	14,520	13,009

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups for purchase of newly built homes; compiled by the Federal Housing Finance Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.
3. Average effective interest rate on loans closed for purchase of newly built homes, assuming prepayment at the end of ten years.
4. Average contract rate on new commitments for conventional first mortgages; from U.S. Department of Housing and Urban Development (HUD). Based on transactions on the first day of the subsequent month.
5. Average gross yield on thirty-year, minimum-downpayment first mortgages insured by the Federal Housing Administration (FHA) for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month.
6. Average net yields to investors on fully modified pass-through securities backed by mortgages and guaranteed by the Government National Mortgage Association (GNMA), assuming prepayment in twelve years on pools of thirty-year mortgages insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs.
7. Does not include standby commitments issued, but includes standby commitments converted.
8. Includes participation loans as well as whole loans.
9. Includes conventional and government-underwritten loans. The Federal Home Loan Mortgage Corporation's mortgage commitments and mortgage transactions include activity under mortgage securities swap programs, whereas the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

Type of holder and property	1992	1993	1994	1994	1995			
				Q4	Q1	Q2	Q3	Q4[p]
1 **All holders**	**4,092,984**	**4,268,919**	**4,475,242**	**4,475,242**	**4,516,816**	**4,584,661**	**4,660,895**	**4,724,076**
By type of property								
2 One- to four-family residences	3,037,408	3,227,633	3,432,165	3,432,165	3,466,026	3,524,474	3,591,013	3,640,099
3 Multifamily residences	274,234	270,796	275,304	275,304	276,398	280,390	284,237	289,187
4 Commercial	700,604	689,296	684,803	684,803	690,988	695,947	701,225	710,498
5 Farm	80,738	81,194	82,971	82,971	83,403	83,850	84,420	84,292
By type of holder								
6 Major financial institutions	1,769,187	1,767,835	1,815,810	1,815,810	1,841,815	1,868,175	1,895,285	1,901,935
7 Commercial banks[2]	894,513	940,444	1,004,280	1,004,280	1,024,854	1,053,048	1,072,780	1,080,320
8 One- to four-family	507,780	556,538	611,697	611,697	625,378	648,705	662,126	665,044
9 Multifamily	38,024	38,635	38,916	38,916	39,746	40,593	43,003	43,522
10 Commercial	328,826	324,409	331,100	331,100	336,795	340,176	343,826	347,927
11 Farm	19,882	20,862	22,567	22,567	22,936	23,575	23,824	23,827
12 Savings institutions[3]	627,972	598,330	596,199	596,199	601,777	599,745	604,614	602,855
13 One- to four-family	489,622	469,959	477,499	477,499	483,625	482,005	489,150	488,234
14 Multifamily	69,791	67,362	64,400	64,400	63,778	64,404	63,569	62,171
15 Commercial	68,235	60,704	54,011	54,011	54,085	53,054	51,604	52,160
16 Farm	324	305	289	289	288	282	291	290
17 Life insurance companies	246,702	229,061	215,332	215,332	215,184	215,382	217,892	218,759
18 One- to four-family	11,441	9,458	7,910	7,910	7,892	7,911	8,006	8,038
19 Multifamily	27,770	25,814	24,306	24,306	24,250	24,310	24,601	24,700
20 Commercial	198,269	184,305	173,539	173,539	173,142	173,565	175,643	176,353
21 Farm	9,222	9,484	9,577	9,577	9,900	9,596	9,643	9,668
22 Federal and related agencies	286,263	328,598	323,491	323,491	319,770	315,208	314,358	310,408
23 Government National Mortgage Association	30	22	6	6	15	7	2	2
24 One- to four-family	30	15	6	6	15	7	2	2
25 Multifamily	0	7	0	0	0	0	0	0
26 Farmers Home Administration[4]	41,695	41,386	41,781	41,781	41,857	41,917	41,858	41,791
27 One- to four-family	16,912	15,303	13,826	13,826	13,507	13,217	12,914	12,643
28 Multifamily	10,575	10,940	11,319	11,319	11,418	11,512	11,557	11,617
29 Commercial	5,158	5,406	5,670	5,670	5,807	5,949	6,096	6,248
30 Farm	9,050	9,739	10,966	10,966	11,124	11,239	11,291	11,282
31 Federal Housing and Veterans' Administrations	12,581	12,215	10,964	10,964	10,890	10,098	9,535	9,497
32 One- to four-family	5,153	5,364	4,753	4,753	4,715	4,838	4,918	4,867
33 Multifamily	7,428	6,851	6,211	6,211	6,175	5,260	4,617	4,629
34 Resolution Trust Corporation	32,045	17,284	10,428	10,428	9,342	6,456	4,889	1,700
35 One- to four-family	12,960	7,203	5,200	5,200	4,755	2,870	2,299	761
36 Multifamily	9,621	5,327	2,859	2,859	2,494	1,940	1,420	515
37 Commercial	9,464	4,754	2,369	2,369	2,092	1,645	1,170	424
38 Farm	0	0	0	0	0	0	0	0
39 Federal Deposit Insurance Corporation	0	14,112	7,821	7,821	6,730	6,039	5,015	4,303
40 One- to four-family	0	2,367	1,049	1,049	840	731	618	492
41 Multifamily	0	1,426	1,595	1,595	1,310	1,135	722	428
42 Commercial	0	10,319	5,177	5,177	4,580	4,173	3,674	3,383
43 Farm	0	0	0	0	0	0	0	0
44 Federal National Mortgage Association	137,584	166,642	178,059	178,059	177,615	178,462	182,229	183,782
45 One- to four-family	124,016	151,310	162,160	162,160	161,780	162,674	166,393	168,122
46 Multifamily	13,568	15,332	15,899	15,899	15,835	15,788	15,836	15,660
47 Federal Land Banks	28,664	28,460	28,555	28,555	28,065	28,005	28,151	28,019
48 One- to four-family	1,687	1,675	1,671	1,671	1,651	1,648	1,656	1,652
49 Farm	26,977	26,785	26,885	26,885	26,414	26,357	26,495	26,367
50 Federal Home Loan Mortgage Corporation	33,665	48,476	45,876	45,876	45,256	44,224	42,678	41,315
51 One- to four-family	31,032	45,929	43,046	43,046	42,122	40,963	39,244	37,463
52 Multifamily	2,633	2,547	2,830	2,830	3,134	3,261	3,434	3,852
53 Mortgage pools or trusts[5]	1,434,264	1,563,453	1,716,209	1,716,209	1,731,272	1,759,314	1,797,162	1,849,640
54 Government National Mortgage Association	419,516	414,066	450,934	450,934	454,401	457,101	463,654	472,298
55 One- to four-family	410,675	404,864	441,198	441,198	444,632	446,855	453,114	461,453
56 Multifamily	8,841	9,202	9,736	9,736	9,769	10,246	10,540	10,845
57 Federal Home Loan Mortgage Corporation	407,514	446,029	486,480	486,480	488,723	496,139	503,457	517,609
58 One- to four-family	401,525	441,494	483,354	483,354	485,643	493,105	500,504	514,796
59 Multifamily	5,989	4,535	3,126	3,126	3,080	3,034	2,953	2,813
60 Federal National Mortgage Association	444,979	495,525	530,343	530,343	533,262	543,669	559,585	582,959
61 One- to four-family	435,979	486,804	520,763	520,763	523,903	533,091	548,400	569,724
62 Multifamily	9,000	8,721	9,580	9,580	9,359	10,578	11,185	13,235
63 Farmers Home Administration[4]	38	28	19	19	14	13	12	11
64 One- to four-family	8	5	3	3	2	2	2	2
65 Multifamily	0	0	0	0	0	0	0	0
66 Commercial	17	13	9	9	7	6	5	5
67 Farm	13	10	7	7	5	5	5	4
68 Private mortgage conduits	162,217	207,806	248,433	248,433	254,871	262,393	270,454	276,763
69 One- to four-family	140,718	173,635	196,733	196,733	201,314	205,018	209,713	208,354
70 Multifamily	6,305	8,701	14,925	14,925	15,743	17,281	18,903	22,436
71 Commercial	15,194	25,469	36,774	36,774	37,814	40,094	41,838	45,972
72 Farm	0	0	0	0	0	0	0	0
73 Individuals and others[6]	603,270	609,032	619,732	619,732	623,960	641,964	654,089	662,092
74 One- to four-family	447,871	455,709	461,297	461,297	464,252	480,834	491,954	498,452
75 Multifamily	64,688	65,397	69,602	69,602	70,305	71,049	71,896	72,763
76 Commercial	75,441	73,917	76,153	76,153	76,667	77,284	77,368	78,025
77 Farm	15,270	14,009	12,681	12,681	12,736	12,796	12,872	12,853

1. Multifamily debt refers to loans on structures of five or more units.
2. Includes loans held by nondeposit trust companies but not loans held by bank trust departments.
3. Includes savings banks and savings and loan associations.
4. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:Q4 because of accounting changes by the Farmers Home Administration.
5. Outstanding principal balances of mortgage-backed securities insured or guaranteed by the agency indicated.
6. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and finance companies.

SOURCE. Based on data from various institutional and government sources. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations, when required for some quarters, are estimated in part by the Federal Reserve. Line 69 from Inside Mortgage Securities.

1.55 CONSUMER INSTALLMENT CREDIT[1]

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1993	1994	1995	1995 Oct.	1995 Nov.	1995 Dec.	1996 Jan.	1996 Feb.[r]	1996 Mar.
	Seasonally adjusted								
1 **Total**	**790,351**	**902,853**	**1,024,809**	**1,005,178**	**1,015,029**	**1,024,809**	**1,035,626[r]**	**1,047,785**	**1,054,173**
2 Automobile	280,566	317,237	353,326	344,671	349,138	353,326	356,249[r]	359,976	360,041
3 Revolving	286,588	334,511	395,234	387,180	390,123	395,234	400,826	406,127	410,915
4 Other[2]	223,197	251,106	276,249	273,326	275,768	276,249	278,552[r]	281,682	283,217
	Not seasonally adjusted								
5 **Total**	**809,440**	**925,000**	**1,050,642**	**1,005,423**	**1,018,961**	**1,050,642**	**1,045,553[r]**	**1,046,189**	**1,046,763**
By major holder									
6 Commercial banks	367,566	427,851	464,993	451,232	453,690	464,993	459,740	459,324	454,624
7 Finance companies	116,453	134,830	152,059	148,681	147,093	152,059	151,849	154,526	153,197
8 Credit unions	101,634	119,594	132,033	130,261	130,970	132,033	131,587	131,208	131,221
9 Savings institutions	37,855	38,468	38,500	38,500	38,500	38,500	38,500	38,500	38,500
10 Nonfinancial business[3]	55,296	60,957	57,497	54,607	53,139	57,497	54,702	52,940	52,523
11 Pools of securitized assets[4]	130,636	143,300	205,560	182,142	195,569	205,560	209,175[r]	209,691	216,698
By major type of credit[5]									
12 Automobile	281,458	318,213	354,395	347,513	351,024	354,395	354,508[r]	357,432	357,879
13 Commercial banks	122,000	141,851	151,057	150,782	149,905	151,057	152,290	153,173	152,623
14 Finance companies	56,057	61,609	70,061	70,816	68,167	70,061	70,847	73,312	73,418
15 Pools of securitized assets[4]	39,481	34,918	43,666	36,453	43,240	43,666	41,889[r]	41,496	42,067
16 Revolving	301,837	352,266	416,187	384,625	392,689	416,187	409,293	405,852	405,864
17 Commercial banks	149,920	180,183	198,076	186,463	189,405	198,076	189,317	186,974	182,967
18 Nonfinancial business[3]	50,125	55,341	51,971	49,358	47,839	51,971	49,267	47,577	47,178
19 Pools of securitized assets[4]	79,878	94,376	142,721	126,739	132,978	142,721	147,522	148,285	152,707
20 Other	226,145	254,521	280,060	273,285	275,248	280,060	281,752[r]	282,905	283,020
21 Commercial banks	95,646	105,817	115,860	113,987	114,380	115,860	118,133	119,177	119,034
22 Finance companies	60,396	73,221	81,998	77,865	78,926	81,998	81,002	81,214	79,779
23 Nonfinancial business[3]	5,171	5,616	5,526	5,249	5,300	5,526	5,435	5,363	5,345
24 Pools of securitized assets[4]	11,277	14,006	19,173	18,950	19,351	19,173	19,764[r]	19,910	21,924

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.
2. Comprises mobile home loans and all other installment loans that are not included in automobile or revolving credit, such as loans for education, boats, trailers, or vacations. These loans may be secured or unsecured.
3. Includes retailers and gasoline companies.
4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.
5. Totals include estimates for certain holders for which only consumer credit totals are available.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT[1]

Percent per year except as noted

Item	1993	1994	1995	1995 Sept.	1995 Oct.	1995 Nov.	1995 Dec.	1996 Jan.	1996 Feb.	1996 Mar.
INTEREST RATES										
Commercial banks[2]										
1 48-month new car	8.09	8.12	9.57	n.a.	n.a.	9.36	n.a.	n.a.	9.12	n.a.
2 24-month personal	13.47	13.19	13.94	n.a.	n.a.	13.80	n.a.	n.a.	13.63	n.a.
Credit card plan										
3 All accounts	n.a.	15.69	16.02	n.a.	n.a.	15.81	n.a.	n.a.	15.82	n.a.
4 Accounts assessed interest	n.a.	15.77	15.79	n.a.	n.a.	15.71	n.a.	n.a.	15.41	n.a.
Auto finance companies										
5 New car	9.48	9.79	11.19	10.75	10.89	10.84	10.52	9.74	9.86	9.77
6 Used car	12.79	13.49	14.48	14.12	14.06	13.98	13.83	13.27	13.28	13.19
OTHER TERMS[3]										
Maturity (months)										
7 New car	54.5	54.0	54.1	53.4	54.6	54.5	53.6	51.8	52.3	51.8
8 Used car	48.8	50.2	52.2	52.3	52.3	52.2	51.8	52.2	52.1	52.0
Loan-to-value ratio										
9 New car	91	92	92	92	92	92	92	92	91	91
10 Used car	98	99	99	100	99	99	99	99	98	98
Amount financed (dollars)										
11 New car	14,332	15,375	16,210	16,402	16,430	16,583	17,034	16,698	16,627	16,520
12 Used car	9,875	10,709	11,590	11,725	11,883	12,012	12,152	12,059	11,990	11,934

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.
2. Data are available for only the second month of each quarter.
3. At auto finance companies.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]

Billions of dollars; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1991	1992	1993	1994	1995	1994			1995			
						Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**480.6**	**545.3**	**625.9**	**617.0**	**716.7**	**581.2**	**579.9**	**654.3**	**839.7**	**879.3**	**529.6**	**618.4**
By sector and instrument												
2 U.S. government	278.2	304.0	256.1	155.9	144.4	131.3	135.6	150.1	266.8	202.8	65.8	42.4
3 Treasury securities	292.0	303.8	248.3	155.7	142.9	126.6	132.8	155.7	268.0	201.2	65.4	37.2
4 Budget agency issues and mortgages	−13.8	.2	7.8	.2	1.5	4.7	2.9	−5.7	−1.2	1.6	.4	5.1
5 Private	202.4	241.3	369.8	461.1	572.3	449.9	444.3	504.2	572.9	676.5	463.9	576.0
By instrument												
6 Municipal securities	87.8	30.5	74.8	−29.3	−47.2	−20.7	−58.4	−53.8	−48.2	−9.5	−113.0	−18.0
7 Corporate bonds	78.8	67.6	75.2	23.3	75.0	37.4	15.4	6.2	55.3	99.0	60.7	84.8
8 Mortgages	158.4	130.9	157.2	196.5	243.5	194.2	203.9	213.5	217.7	236.1	278.2	242.0
9 Home mortgages	173.6	187.6	187.9	204.5	207.9	186.2	208.8	219.8	192.1	203.8	244.6	191.2
10 Multifamily residential	−5.5	−10.4	−6.0	1.3	12.1	4.0	5.6	−4.2	2.6	14.2	13.7	18.0
11 Commercial	−10.0	−47.8	−25.0	−11.1	22.1	1.1	−12.7	−3.4	21.2	16.3	17.6	33.4
12 Farm	.4	1.4	.5	1.8	1.3	2.9	2.2	1.4	1.7	1.8	2.3	−.5
13 Consumer credit	−14.8	7.3	58.9	121.2	130.8	129.8	124.8	165.2	93.8	158.1	109.6	161.8
14 Bank loans n.e.c.	−40.9	−13.7	3.8	72.7	99.7	58.7	97.1	77.1	146.6	97.3	85.4	69.5
15 Commercial paper	−18.4	8.6	10.0	21.4	18.1	9.7	26.4	23.5	23.1	37.5	16.0	−4.1
16 Other loans and advances	−48.5	10.1	−10.2	55.4	52.4	40.8	35.1	72.4	84.5	58.0	26.9	40.0
By borrowing sector												
17 Household	182.7	200.7	246.5	360.3	373.1	349.9	379.7	419.1	303.5	390.4	401.8	396.5
18 Nonfinancial business	−61.9	19.5	61.0	144.3	250.8	139.4	130.0	153.6	316.8	302.4	178.3	205.5
19 Farm	2.1	1.3	2.0	2.8	1.7	7.8	2.4	−2.0	.9	3.6	4.3	−2.2
20 Nonfarm noncorporate	−11.0	−16.0	7.0	12.1	37.9	10.0	8.8	16.5	51.3	34.4	29.8	36.2
21 Corporate	−53.0	34.1	52.0	129.3	211.1	121.7	118.8	139.1	264.6	264.3	144.1	171.5
22 State and local government	81.6	21.1	62.3	−43.4	−51.5	−39.5	−65.4	−68.5	−47.5	−16.3	−116.2	−26.1
23 Foreign net borrowing in United States	14.8	22.6	68.8	−20.3	67.4	−34.2	19.6	33.5	61.4	40.4	97.5	70.1
24 Bonds	15.0	15.7	81.3	7.1	47.3	−17.4	20.8	27.7	13.5	49.9	55.0	70.8
25 Bank loans n.e.c.	3.1	2.3	.7	1.4	8.3	−4.5	4.7	−.5	8.1	5.6	8.2	11.3
26 Commercial paper	6.4	5.2	−9.0	−27.3	13.6	−5.2	−8.1	5.9	37.9	−11.1	30.9	−3.4
27 Other loans and advances	−9.8	−.6	−4.2	−1.6	−1.8	−7.1	2.2	.4	1.9	−4.0	3.4	−8.6
28 **Total domestic plus foreign**	**495.4**	**568.0**	**694.7**	**596.6**	**784.1**	**546.9**	**599.5**	**687.8**	**901.1**	**919.7**	**627.2**	**688.5**
	Financial sectors											
29 **Total net borrowing by financial sectors**	**154.5**	**240.1**	**290.8**	**459.4**	**455.9**	**380.1**	**419.7**	**544.8**	**264.9**	**433.6**	**461.7**	**663.5**
By instrument												
30 U.S. government-related	145.7	155.8	164.2	284.3	213.6	264.5	245.7	317.5	93.0	197.7	230.1	333.5
31 Government-sponsored enterprises securities	9.2	40.3	80.6	176.9	108.5	146.6	152.1	249.0	62.9	127.2	101.5	142.2
32 Mortgage pool securities	136.6	115.6	83.6	112.1	105.1	117.9	93.6	68.5	30.0	70.5	128.6	191.3
33 Loans from U.S. government	.0	.0	.0	−4.8	.0	.0	.0	.0	.0	.0	.0	.0
34 Private	8.7	84.3	126.6	175.2	242.4	115.5	174.0	227.3	172.0	236.0	231.6	329.9
35 Corporate bonds	68.8	82.8	119.8	113.4	180.8	96.4	99.5	96.5	155.7	174.2	170.2	223.1
36 Mortgages	.5	.6	3.6	9.8	5.3	12.4	12.0	4.9	5.2	5.2	5.2	5.6
37 Bank loans n.e.c.	8.8	2.2	−13.0	−12.3	8.0	−27.4	−11.7	1.9	−3.0	21.2	7.1	6.6
38 Open market paper	−32.0	−.7	−6.2	41.6	42.6	4.3	41.3	85.9	38.5	34.0	43.3	54.6
39 Other loans and advances	−37.3	−.6	22.4	22.6	5.7	29.8	32.8	38.1	−24.5	1.3	5.9	40.1
By borrowing sector												
40 Government-sponsored enterprises	9.1	40.2	80.6	172.1	108.5	146.6	152.1	249.0	62.9	127.2	101.5	142.2
41 Federally related mortgage pools	136.6	115.6	83.6	112.1	105.1	117.9	93.6	68.5	30.0	70.5	128.6	191.3
42 Private financial sectors	8.7	84.3	126.6	175.2	242.4	115.5	174.0	227.3	172.0	236.0	231.6	329.9
43 Commercial banks	−10.7	7.7	4.6	9.9	9.7	10.6	23.9	4.1	6.3	18.2	9.6	4.5
44 Bank holding companies	−2.5	2.3	8.8	10.3	15.3	10.1	11.5	16.0	13.3	23.8	25.2	−1.3
45 Funding corporations	−6.5	13.2	2.9	24.2	45.2	−10.5	47.3	11.1	61.5	21.7	52.1	45.5
46 Savings institutions	−44.7	−7.0	11.3	12.8	3.4	5.8	14.8	36.1	−18.9	−7.2	5.3	34.2
47 Credit unions	.0	.0	.2	.2	−.1	.2	.5	.2	−.3	−.1	.1	.0
48 Life insurance companies	.0	.0	.2	.3	−.1	.0	.0	1.3	.0	.1	−.1	−.4
49 Finance companies	17.7	−1.6	.2	50.2	51.6	63.6	16.3	57.3	83.1	57.2	6.5	59.6
50 Mortgage companies	−2.4	8.0	.0	−11.5	2.9	−18.2	−7.0	1.1	−7.4	14.8	4.0	.0
51 Real estate investment trusts (REITs)	1.2	.3	3.4	13.7	5.4	15.3	18.8	6.3	5.2	5.2	5.2	6.0
52 Brokers and dealers	3.7	2.7	12.0	.5	−5.0	.3	−7.6	19.3	−29.5	−.1	2.1	7.7
53 Issuers of asset-backed securities (ABSs)	52.9	58.6	83.0	64.5	114.1	38.5	55.4	74.5	58.8	102.2	121.6	174.1

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]—Continued

Transaction category or sector	1991	1992	1993	1994	1995	1994 Q2	1994 Q3	1994 Q4	1995 Q1	1995 Q2	1995 Q3	1995 Q4
	All sectors											
54 **Total net borrowing, all sectors**	**649.9**	**808.0**	**985.5**	**1,056.0**	**1,240.0**	**927.0**	**1,019.2**	**1,232.6**	**1,166.0**	**1,353.4**	**1,088.9**	**1,351.9**
55 U.S. government securities	424.0	459.8	420.3	444.9	358.0	395.8	381.3	467.5	359.8	400.5	295.9	375.9
56 Municipal securities	87.8	30.5	74.8	−29.3	−47.2	−20.7	−58.4	−53.8	−48.2	−9.5	−113.0	−18.0
57 Corporate and foreign bonds	162.5	166.1	276.3	143.8	303.0	116.4	135.7	130.4	224.5	323.1	285.9	378.7
58 Mortgages	158.9	131.5	160.8	206.3	248.8	206.6	215.9	218.4	223.0	241.4	283.4	247.6
59 Consumer credit	−14.8	7.3	58.9	121.2	130.8	129.8	124.8	165.2	93.8	158.1	109.6	161.8
60 Bank loans n.e.c.	−29.1	−9.3	−8.5	61.8	116.0	26.8	90.1	78.5	151.7	124.1	100.7	87.4
61 Open market paper	−44.0	13.1	−5.1	35.7	74.3	8.8	59.6	115.3	99.5	60.4	90.2	47.1
62 Other loans and advances	−95.6	8.9	8.0	71.7	56.2	63.5	70.2	111.0	61.8	55.4	36.2	71.5
	Funds raised through mutual funds and corporate equities											
63 **Total net share issues**	**209.4**	**294.9**	**442.1**	**150.8**	**157.1**	**263.9**	**113.2**	**−81.1**	**18.1**	**169.2**	**190.1**	**250.9**
64 Mutual funds	147.2	209.1	323.7	128.9	171.1	199.6	129.7	−12.6	65.1	174.1	195.7	249.7
65 Corporate equities	62.2	85.8	118.4	21.9	−14.1	64.3	−16.4	−68.5	−46.9	−4.9	−5.6	1.2
66 Nonfinancial corporations	18.3	27.0	21.3	−44.9	−76.0	−2.0	−50.0	−118.0	−68.4	−59.6	−98.8	−77.2
67 Financial corporations	13.3	28.1	36.6	24.1	14.2	20.4	10.5	16.3	8.7	17.7	11.2	19.0
68 Foreign shares purchased by U.S. residents	30.7	30.7	60.5	42.7	47.8	45.9	23.1	33.2	12.8	37.0	82.0	59.4

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.2 through F.5. For ordering address, see inside front cover.

1.58 SUMMARY OF FINANCIAL TRANSACTIONS[1]

Billions of dollars except as noted; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1991	1992	1993	1994	1995	1994			1995			
						Q2	Q3	Q4	Q1	Q2	Q3	Q4
NET LENDING IN CREDIT MARKETS[2]												
1 **Total net lending in credit markets**	**649.9**	**808.0**	**985.5**	**1,056.0**	**1,240.0**	**927.0**	**1,019.2**	**1,232.6**	**1,166.0**	**1,353.4**	**1,088.9**	**1,351.9**
2 Private domestic nonfinancial sectors	104.1	90.2	62.7	252.9	−105.1	255.5	205.1	252.0	.0	−158.5	−124.7	−137.1
3 Households	27.9	84.0	37.1	294.8	51.6	297.6	283.9	336.7	179.7	−99.4	131.5	−5.3
4 Nonfarm noncorporate business	−5.3	−.1	.6	.7	−.9	1.5	.7	.9	.5	−1.0	−1.0	−2.2
5 Nonfinancial corporate business	30.7	27.8	21.3	51.9	−11.9	27.5	37.4	84.1	−85.2	47.5	−47.3	37.5
6 State and local governments	50.8	−21.5	3.7	−94.6	−143.9	−71.1	−117.0	−169.7	−94.9	−105.7	−207.9	−167.1
7 U.S. government	10.5	−11.9	−18.4	−24.2	−22.8	−14.6	−11.3	−24.4	−13.2	−24.3	−23.4	−30.1
8 Rest of the world	13.3	98.2	128.3	134.4	270.9	65.7	137.5	210.9	244.9	325.9	352.8	159.8
9 Financial sectors	522.0	631.5	812.8	693.0	1,097.0	620.4	687.9	794.0	934.3	1,210.2	884.2	1,359.3
10 Government sponsored enterprises	15.1	68.8	90.2	123.2	78.9	100.9	125.4	175.2	11.2	86.9	50.8	166.8
11 Federally related mortgage pools	136.6	115.6	83.6	112.1	105.1	117.9	93.6	68.5	30.0	70.5	128.6	191.3
12 Monetary authority	31.1	27.9	36.2	31.5	12.7	24.9	29.7	30.0	16.3	20.8	−11.1	24.7
13 Commercial banking	80.8	95.3	142.2	163.4	264.0	128.5	183.4	174.5	342.7	316.0	243.5	153.6
14 U.S. chartered banks	35.7	69.5	149.6	148.1	186.6	136.1	155.6	174.2	183.4	222.4	227.5	112.9
15 Foreign banking offices in United States	48.5	16.5	−9.8	11.2	75.3	−10.0	22.9	−5.6	158.8	83.9	24.1	34.3
16 Bank holding companies	−1.5	5.6	.0	.9	.2	.2	2.7	−2.4	−2.0	5.7	−9.0	6.0
17 Banks in U.S. affiliated areas	−1.9	3.7	2.4	3.3	1.9	2.1	2.2	8.3	2.4	4.0	1.0	.4
18 Funding corporations	8.2	17.7	−19.1	−27.4	−6.8	−35.6	−45.5	−11.4	47.1	−9.6	−22.0	−42.8
19 Thrift institutions	−146.1	−61.3	−1.7	34.9	20.0	41.5	53.8	32.4	28.2	9.4	40.9	1.6
20 Life insurance companies	86.5	78.5	100.9	66.3	108.0	26.7	89.5	79.4	132.4	131.2	77.0	91.5
21 Other insurance companies	30.0	6.7	27.7	24.9	21.4	22.3	25.3	30.4	19.2	21.7	21.8	22.8
22 Private pension funds	35.4	41.1	45.9	47.0	56.3	49.9	42.5	74.7	58.9	57.2	47.5	61.6
23 State and local government retirement funds	41.1	23.0	19.8	29.0	32.7	46.4	−11.1	36.6	62.4	3.2	53.0	12.1
24 Finance companies	−9.2	7.5	−9.0	68.2	63.1	61.2	63.1	80.4	91.8	70.1	42.9	47.3
25 Mortgage companies	11.2	.1	.0	−22.9	5.9	−36.3	−14.0	2.1	−14.4	29.9	7.3	.6
26 Mutual funds	80.1	126.2	159.5	−7.1	51.5	55.4	−29.3	−70.4	−28.8	21.6	51.3	162.0
27 Closed-end funds	12.8	18.2	11.0	−5.5	5.8	−11.6	−13.6	−10.0	3.5	6.4	8.4	5.0
28 Money market mutual funds	32.7	4.7	20.4	30.0	86.5	26.6	57.7	53.9	53.1	135.2	33.2	124.6
29 Real estate investment trusts (REITs)	−.7	1.1	.6	4.7	1.8	6.6	5.5	.2	1.8	1.8	1.8	1.9
30 Brokers and dealers	17.5	−1.3	14.8	−44.2	87.9	−57.7	−21.9	−8.0	30.5	146.2	−1.8	177.0
31 Asset-backed securities issuers (ABSs)	48.9	53.8	80.5	57.8	100.8	42.8	46.3	54.3	46.7	89.8	109.7	156.9
32 Bank personal trusts	10.0	8.0	9.5	7.1	1.4	10.2	7.7	1.4	1.6	1.8	1.5	.8
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
33 **Net flows through credit markets**	**649.9**	**808.0**	**985.5**	**1,056.0**	**1,240.0**	**927.0**	**1,019.2**	**1,232.6**	**1,166.0**	**1,353.4**	**1,088.9**	**1,351.9**
Other financial sources												
34 Official foreign exchange	−5.9	−1.6	.8	−5.8	8.8	−14.6	.2	−8.6	17.8	10.3	9.0	−1.9
35 Special drawing rights certificates	.0	−2.0	.0	.0	2.2	.0	.0	.0	.0	.0	8.6	.0
36 Treasury currency	.0	.2	.4	.7	.6	.6	.8	.7	.7	.7	.8	.0
37 Life insurance reserves	25.7	27.3	35.2	34.0	43.8	21.7	67.7	21.6	54.0	49.9	29.9	41.5
38 Pension fund reserves	198.2	238.6	247.3	248.0	248.4	220.7	238.0	293.4	302.5	310.7	214.2	166.2
39 Interbank claims	−3.4	43.5	56.4	89.4	6.7	110.7	4.1	98.4	−17.4	28.7	−41.4	56.7
40 Checkable deposits and currency	86.3	113.5	117.3	−9.7	−12.6	−44.9	−66.0	−40.5	42.8	133.5	−150.5	−76.1
41 Small time and savings deposits	1.5	−57.2	−70.3	−40.0	89.5	−57.5	−51.8	−46.9	18.1	112.0	107.6	120.3
42 Large time deposits	−58.5	−73.2	−23.5	19.6	80.5	−3.6	84.0	36.5	116.8	69.2	111.5	24.7
43 Money market fund shares	41.6	4.5	20.2	43.3	142.3	34.0	56.4	86.5	59.9	233.5	121.2	154.8
44 Security repurchase agreements	−16.5	43.1	71.2	78.3	110.7	166.0	86.0	51.9	161.8	130.7	85.1	65.0
45 Foreign deposits	−26.5	−3.5	−18.5	45.8	42.0	50.6	28.1	97.9	39.2	90.6	28.0	10.0
46 Mutual fund shares	147.2	209.1	323.7	128.9	171.1	199.6	129.7	−12.6	65.1	174.1	195.7	249.7
47 Corporate equities	62.2	85.8	118.4	21.9	−14.1	64.3	−16.4	−68.5	−46.9	−4.9	−5.6	1.2
48 Security credit	51.4	4.6	61.4	−.1	20.6	−20.7	−59.3	37.1	−10.7	30.8	35.4	26.9
49 Trade payables	31.0	46.6	37.8	111.9	101.5	114.4	95.4	156.3	112.1	32.5	184.2	77.1
50 Taxes payable	−6.2	8.5	4.5	3.0	1.7	−13.1	10.1	4.3	15.5	−4.0	4.4	−9.3
51 Noncorporate proprietors' equity	−.2	16.9	4.0	23.8	35.6	36.8	46.6	24.2	28.1	32.6	48.3	33.6
52 Investment in bank personal trusts	16.1	−7.1	1.6	18.8	20.5	24.7	23.6	11.9	21.0	22.3	20.8	18.0
53 Miscellaneous	277.4	287.2	296.3	265.9	409.8	129.4	269.0	372.1	366.0	467.2	289.2	516.6
54 **Total financial sources**	**1,471.4**	**1,792.8**	**2,269.8**	**2,133.8**	**2,749.6**	**1,946.2**	**1,965.5**	**2,348.4**	**2,512.3**	**3,273.6**	**2,385.3**	**2,827.2**
Floats not included in assets (−)												
55 U.S. government checkable deposits	−13.1	.7	−1.5	−4.8	−6.0	.8	7.4	−24.4	13.2	−16.3	3.5	−24.3
56 Other checkable deposits	4.5	1.6	−1.3	−2.8	−3.8	−3.5	−3.3	−2.3	−3.7	−3.9	−3.5	−4.2
57 Trade credit	36.1	11.3	29.7	−3.0	−.5	20.3	16.0	−29.7	25.7	19.9	−6.0	−41.5
Liabilities not identified as assets (−)												
58 Treasury currency	−.6	−.2	−.2	−.2	−.4	−.2	−.2	−.2	−.2	−.4	−.3	−.9
59 Interbank claims	26.2	−4.9	4.2	−2.7	−3.2	5.4	10.1	−1.7	.8	8.2	7.6	−29.4
60 Security repurchase agreements	−9.5	3.6	34.3	27.9	8.5	108.1	−47.3	83.0	73.5	−40.1	13.6	−12.9
61 Foreign deposits	−24.0	−2.8	−7.1	36.9	35.4	56.1	39.5	55.8	46.0	81.7	−1.8	15.8
62 Taxes payable	−1.0	10.8	10.4	8.5	5.3	6.2	10.8	−.8	−8.7	31.9	11.2	−13.1
63 Miscellaneous	8.9	.8	−48.8	−109.6	−97.5	−336.3	−73.1	14.8	−226.8	−125.1	−32.4	−5.9
64 **Total identified to sectors as assets**	**1,443.8**	**1,772.0**	**2,250.0**	**2,183.7**	**2,811.8**	**2,089.3**	**2,005.7**	**2,254.0**	**2,592.5**	**3,317.5**	**2,393.5**	**2,943.7**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.6 and F.7. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING[1]

Billions of dollars, end of period

Transaction category or sector	1992	1993	1994	1995	1994			1995			
					Q2	Q3	Q4	Q1	Q2	Q3	Q4
							Nonfinancial sectors				
1 **Total credit market debt owed by domestic nonfinancial sectors**	**11,896.7**	**12,537.4**	**13,160.6**	**13,877.3**	**12,808.0**	**12,962.6**	**13,160.6**	**13,338.7**	**13,544.3**	**13,686.8**	**13,877.3**
By sector and instrument											
2 U.S. government	3,080.3	3,336.5	3,492.3	3,636.7	3,395.4	3,432.3	3,492.3	3,557.9	3,583.5	3,603.4	3,636.7
3 Treasury securities	3,061.6	3,309.9	3,465.6	3,608.5	3,368.0	3,404.1	3,465.6	3,531.5	3,556.7	3,576.5	3,608.5
4 Budget agency issues and mortgages	18.8	26.6	26.7	28.2	27.4	28.2	26.7	26.4	26.8	26.9	28.2
5 Private	8,816.3	9,200.9	9,668.3	10,240.6	9,412.6	9,530.3	9,668.3	9,780.8	9,960.8	10,083.4	10,240.6
By instrument											
6 Municipal securities	1,302.8	1,377.5	1,348.2	1,301.1	1,372.2	1,362.6	1,348.2	1,334.8	1,329.8	1,306.6	1,301.1
7 Corporate bonds	1,154.5	1,229.7	1,253.0	1,328.0	1,247.6	1,251.5	1,253.0	1,266.8	1,291.6	1,306.8	1,328.0
8 Mortgages	4,088.7	4,260.0	4,456.5	4,700.0	4,345.8	4,401.9	4,456.5	4,496.8	4,563.3	4,638.2	4,700.0
9 Home mortgages	3,037.4	3,227.6	3,432.2	3,640.1	3,318.7	3,376.0	3,432.2	3,466.0	3,524.5	3,591.0	3,640.1
10 Multifamily residential	272.5	267.8	269.1	281.2	268.8	270.2	269.1	269.8	273.3	276.8	281.2
11 Commercial	698.1	683.4	672.3	694.4	676.3	673.1	672.3	677.6	681.6	686.1	694.4
12 Farm	80.7	81.2	83.0	84.3	82.1	82.6	83.0	83.4	83.9	84.4	84.3
13 Consumer credit	804.6	863.5	984.7	1,115.5	891.6	929.4	984.7	987.9	1,026.5	1,060.8	1,115.5
14 Bank loans n.e.c.	672.2	676.0	748.6	848.3	705.3	724.7	748.6	781.8	810.3	826.0	848.3
15 Commercial paper	107.1	117.8	139.2	157.4	135.7	138.7	139.2	149.8	162.9	163.3	157.4
16 Other loans and advances	686.5	676.3	738.0	790.4	714.4	721.6	738.0	762.9	776.4	781.8	790.4
By borrowing sector											
17 Household	4,023.6	4,272.4	4,632.3	5,005.4	4,407.5	4,511.8	4,632.3	4,675.1	4,780.3	4,890.0	5,005.4
18 Nonfinancial business	3,696.8	3,770.3	3,921.1	4,171.9	3,860.9	3,885.6	3,921.1	4,004.2	4,085.6	4,122.6	4,171.9
19 Farm	136.3	138.3	141.2	142.8	141.5	143.1	141.2	138.9	142.8	144.9	142.8
20 Nonfarm noncorporate	1,122.9	1,129.9	1,142.0	1,180.0	1,135.6	1,137.4	1,142.0	1,154.5	1,163.3	1,170.4	1,180.0
21 Corporate	2,437.6	2,502.0	2,638.0	2,849.1	2,583.7	2,605.0	2,638.0	2,710.7	2,779.4	2,807.3	2,849.1
22 State and local government	1,095.9	1,158.2	1,114.8	1,063.3	1,144.2	1,132.8	1,114.8	1,101.6	1,094.9	1,070.8	1,063.3
23 **Foreign credit market debt held in United States**	**313.1**	**381.9**	**361.6**	**429.0**	**348.7**	**352.4**	**361.6**	**376.8**	**387.6**	**410.7**	**429.0**
24 Bonds	146.2	227.4	234.6	281.9	222.4	227.6	234.6	237.9	250.4	264.2	281.9
25 Bank loans n.e.c.	23.9	24.6	26.1	34.4	25.1	26.3	26.1	28.2	29.6	31.6	34.4
26 Commercial paper	77.7	68.7	41.4	55.0	42.0	39.9	41.4	50.9	48.1	55.8	55.0
27 Other loans and advances	65.3	61.1	59.6	57.7	59.2	58.6	59.6	59.8	59.5	59.1	57.7
28 **Total credit market debt owed by nonfinancial sectors, domestic and foreign**	**12,209.7**	**12,919.3**	**13,522.2**	**14,306.3**	**13,156.7**	**13,315.0**	**13,522.2**	**13,715.5**	**13,931.9**	**14,097.5**	**14,306.3**
							Financial sectors				
29 **Total credit market debt owed by financial sectors**	**3,024.9**	**3,321.0**	**3,785.7**	**4,244.3**	**3,545.3**	**3,648.1**	**3,785.7**	**3,853.5**	**3,964.8**	**4,078.0**	**4,244.3**
By instrument											
30 U.S. government-related	1,720.0	1,884.1	2,168.4	2,381.9	2,030.5	2,089.8	2,168.4	2,192.7	2,245.0	2,300.2	2,381.9
31 Government-sponsored enterprises securities	443.1	523.7	700.6	809.1	600.3	638.3	700.6	716.3	748.1	773.5	809.1
32 Mortgage pool securities	1,272.0	1,355.6	1,467.8	1,572.9	1,430.1	1,451.5	1,467.8	1,476.4	1,496.9	1,526.7	1,572.9
33 Loans from U.S. government	4.8	4.8	.0	.0	.0	.0	.0	.0	.0	.0	.0
34 Private	1,304.9	1,436.9	1,617.3	1,862.3	1,514.9	1,558.3	1,617.3	1,660.8	1,719.8	1,777.7	1,862.3
35 Corporate bonds	738.2	858.0	969.0	1,149.8	920.0	944.8	969.0	1,007.9	1,051.4	1,094.0	1,149.8
36 Mortgages	5.4	8.9	18.7	24.0	14.5	17.5	18.7	20.0	21.3	22.6	24.0
37 Bank loans n.e.c.	80.5	67.6	55.3	63.3	56.3	53.4	55.3	53.4	58.4	60.3	63.3
38 Open market paper	394.3	393.5	442.8	488.0	410.3	420.5	442.8	454.1	462.8	473.6	488.0
39 Other loans and advances	86.6	108.9	131.6	137.2	113.8	122.0	131.6	125.4	125.7	127.2	137.2
By borrowing sector											
40 Government-sponsored enterprises	447.9	528.5	700.6	809.1	600.3	638.3	700.6	716.3	748.1	773.5	809.1
41 Federally related mortgage pools	1,272.0	1,355.6	1,467.8	1,572.9	1,430.1	1,451.5	1,467.8	1,476.4	1,496.9	1,526.7	1,572.9
42 Private financial sectors	1,304.9	1,436.9	1,617.3	1,862.3	1,514.9	1,558.3	1,617.3	1,660.8	1,719.8	1,777.7	1,862.3
43 Commercial banks	80.0	84.6	94.5	104.1	86.7	92.6	94.5	95.0	99.9	102.2	104.1
44 Bank holding companies	114.6	123.4	133.6	148.9	126.8	129.6	133.6	137.0	142.9	149.2	148.9
45 Funding corporations	161.6	169.9	199.3	247.1	191.5	200.6	199.3	221.0	229.9	240.0	247.1
46 Savings institutions	88.4	99.6	112.4	115.8	99.7	103.4	112.4	107.7	105.9	107.2	115.8
47 Credit unions	.0	.2	.5	.4	.3	.4	.5	.4	.3	.4	.4
48 Life insurance companies	.0	.2	.6	.5	.3	.3	.6	.6	.6	.6	.5
49 Finance companies	390.4	390.5	440.7	492.3	414.2	420.9	440.7	456.7	467.2	471.9	492.3
50 Mortgage companies	30.2	30.2	18.7	21.6	20.2	18.5	18.7	16.9	20.6	21.6	21.6
51 Real estate investment trusts (REITs)	13.9	17.4	31.1	36.5	24.8	29.5	31.1	32.4	33.7	35.0	36.5
52 Brokers and dealers	21.7	33.7	34.3	29.3	31.3	29.4	34.3	26.9	26.8	27.4	29.3
53 Issuers of asset-backed securities (ABSs)	404.2	487.2	551.6	665.8	519.2	533.0	551.6	566.3	591.9	622.3	665.8
							All sectors				
54 **Total credit market debt, domestic and foreign**	**15,234.6**	**16,240.3**	**17,307.9**	**18,550.6**	**16,702.0**	**16,963.1**	**17,307.9**	**17,569.1**	**17,896.7**	**18,175.4**	**18,550.6**
55 U.S. government securities	4,795.5	5,215.8	5,660.7	6,018.7	5,425.9	5,522.1	5,660.7	5,750.6	5,828.5	5,903.6	6,018.7
56 Municipal securities	1,302.8	1,377.5	1,348.2	1,301.1	1,372.2	1,362.6	1,348.2	1,334.8	1,329.8	1,306.6	1,301.1
57 Corporate and foreign bonds	2,038.9	2,315.2	2,456.5	2,759.6	2,390.0	2,423.9	2,456.5	2,512.7	2,593.4	2,664.9	2,759.6
58 Mortgages	4,094.1	4,269.0	4,475.2	4,724.1	4,360.3	4,419.4	4,475.2	4,516.8	4,584.7	4,660.9	4,724.1
59 Consumer credit	804.6	863.5	984.7	1,115.5	891.6	929.4	984.7	987.9	1,026.5	1,060.8	1,115.5
60 Bank loans n.e.c.	776.6	768.2	830.0	946.0	786.7	804.3	830.0	863.3	898.2	917.9	946.0
61 Open market paper	579.0	580.0	623.5	700.4	587.9	599.2	623.5	654.7	673.8	692.7	700.4
62 Other loans and advances	843.1	851.1	929.1	985.4	887.4	902.2	929.1	948.1	961.7	968.1	985.4

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.2 through L.4. For ordering address, see inside front cover.

1.60 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES[1]

Billions of dollars except as noted, end of period

Transaction category or sector	1992	1993	1994	1995	1994			1995			
					Q2	Q3	Q4	Q1	Q2	Q3	Q4
CREDIT MARKET DEBT OUTSTANDING[2]											
1 **Total credit market assets**	**15,234.6**	**16,240.3**	**17,307.9**	**18,550.6**	**16,702.0**	**16,963.1**	**17,307.9**	**17,569.1**	**17,896.7**	**18,175.4**	**18,550.6**
2 Private domestic nonfinancial sectors	2,673.7	2,729.3	3,012.5	2,903.4	2,824.7	2,893.9	3,012.5	2,983.7	2,929.5	2,916.3	2,903.4
3 Households	1,620.6	1,646.0	1,971.1	2,018.7	1,747.4	1,839.5	1,971.1	1,996.3	1,953.1	2,007.1	2,018.7
4 Nonfarm noncorporate business	38.1	38.8	39.5	38.6	39.1	39.3	39.5	39.6	39.4	39.1	38.6
5 Nonfinancial corporate business	257.8	283.7	335.6	323.7	298.5	306.8	335.6	307.2	319.0	306.4	323.7
6 State and local governments	757.2	760.8	666.3	522.4	739.8	708.3	666.3	640.6	618.1	563.7	522.4
7 U.S. government	235.0	230.7	206.5	183.8	215.4	212.6	206.5	203.2	197.1	191.3	183.8
8 Rest of the world	1,022.8	1,146.6	1,255.7	1,526.6	1,205.4	1,240.7	1,255.7	1,325.3	1,403.4	1,492.7	1,526.6
9 Financial sectors	11,303.1	12,133.7	12,833.2	13,936.9	12,456.6	12,615.9	12,833.2	13,056.9	13,366.6	13,575.1	13,936.9
10 Government-sponsored enterprises	457.8	548.0	671.2	750.1	596.0	627.5	671.2	673.3	695.8	708.5	750.1
11 Federally related mortgage pools	1,272.0	1,355.6	1,467.8	1,572.9	1,430.1	1,451.5	1,467.8	1,476.4	1,496.9	1,526.7	1,572.9
12 Monetary authority	300.4	336.7	368.2	380.8	351.6	356.8	368.2	367.1	375.7	370.6	380.8
13 Commercial banking	2,948.6	3,090.8	3,254.3	3,518.2	3,155.9	3,203.9	3,254.3	3,327.7	3,409.8	3,472.9	3,518.2
14 U.S. chartered banks	2,571.9	2,721.5	2,869.6	3,056.1	2,780.3	2,822.3	2,869.6	2,906.5	2,963.7	3,023.7	3,056.1
15 Foreign banking offices in United States	335.8	326.0	337.1	412.4	330.8	335.5	337.1	373.6	396.0	401.1	412.4
16 Bank holding companies	17.5	17.5	18.4	18.6	18.3	19.0	18.4	17.9	19.3	17.0	18.6
17 Banks in U.S. affiliated areas	23.4	25.8	29.2	31.1	26.5	27.1	29.2	29.8	30.8	31.0	31.1
18 Funding corporations	162.5	149.5	129.8	125.6	138.7	130.5	129.8	140.2	135.7	134.0	125.6
19 Thrift institutions	1,134.5	1,132.7	1,167.6	1,187.7	1,146.1	1,160.4	1,167.6	1,173.4	1,177.3	1,188.1	1,187.7
20 Life insurance companies	1,309.1	1,420.6	1,487.0	1,595.0	1,449.0	1,470.7	1,487.0	1,523.1	1,557.1	1,575.5	1,595.0
21 Other insurance companies	389.4	422.7	446.4	471.9	433.1	439.1	446.4	451.8	458.5	464.4	471.9
22 Private pension funds	571.7	617.6	664.6	720.9	635.3	645.9	664.6	679.3	693.6	705.5	720.9
23 State and local government retirement funds	417.5	437.3	466.3	498.9	459.2	454.3	466.3	480.7	482.1	493.3	498.9
24 Finance companies	496.4	482.8	551.0	614.0	511.3	524.1	551.0	568.5	586.9	594.7	614.0
25 Mortgage companies	60.5	60.4	37.5	43.3	40.4	37.0	37.5	33.9	41.4	43.2	43.3
26 Mutual funds	566.4	725.9	718.8	770.3	747.8	741.8	718.8	715.9	721.5	735.6	770.3
27 Closed-end funds	67.7	78.6	73.1	78.9	79.0	75.6	73.1	74.0	75.6	77.7	78.9
28 Money market mutual funds	408.6	429.0	459.0	545.5	433.5	437.9	459.0	480.6	508.0	505.7	545.5
29 Real estate investment trusts (REITs)	8.1	8.6	13.3	15.1	11.9	13.3	13.3	13.8	14.2	14.7	15.1
30 Brokers and dealers	122.7	137.5	93.3	181.3	100.8	95.3	93.3	101.0	137.5	137.0	181.3
31 Asset-backed securities issuers (ABSs)	377.9	458.4	516.1	616.9	491.0	502.6	516.1	527.8	550.3	577.7	616.9
32 Bank personal trusts	231.5	240.9	248.0	249.4	245.7	247.7	248.0	248.4	248.8	249.2	249.4
RELATION OF LIABILITIES TO FINANCIAL ASSETS											
33 **Total credit market debt**	**15,234.6**	**16,240.3**	**17,307.9**	**18,550.6**	**16,702.0**	**16,963.1**	**17,307.9**	**17,569.1**	**17,896.7**	**18,175.4**	**18,550.6**
Other liabilities											
34 Official foreign exchange	51.8	53.4	53.2	63.7	54.9	55.5	53.2	64.1	67.1	65.1	63.7
35 Special drawing rights certificates	8.0	8.0	8.0	10.2	8.0	8.0	8.0	8.0	8.0	10.2	10.2
36 Treasury currency	16.5	17.0	17.6	18.2	17.3	17.5	17.6	17.8	18.0	18.2	18.2
37 Life insurance reserves	433.0	468.2	502.2	546.0	479.9	496.8	502.2	515.7	528.1	535.6	546.0
38 Pension fund reserves	4,055.1	4,471.6	4,693.9	5,435.3	4,524.0	4,677.0	4,693.9	4,895.7	5,095.4	5,320.1	5,435.3
39 Interbank claims	132.6	189.3	279.7	287.0	237.5	250.1	279.7	271.7	265.5	267.4	287.0
40 Deposits at financial institutions	5,050.2	5,154.9	5,296.0	5,748.4	5,186.7	5,212.4	5,296.0	5,389.5	5,572.4	5,638.7	5,748.4
41 Checkable deposits and currency	1,134.4	1,251.7	1,242.0	1,229.5	1,229.9	1,205.0	1,242.0	1,193.9	1,246.3	1,200.7	1,229.5
42 Small time and savings deposits	2,293.5	2,223.2	2,183.3	2,272.7	2,214.4	2,199.1	2,183.3	2,200.1	2,222.4	2,247.0	2,272.7
43 Large time deposits	415.2	391.7	411.2	491.8	379.3	402.6	411.2	441.1	456.2	486.2	491.8
44 Money market fund shares	539.5	559.6	602.9	745.3	569.2	578.7	602.9	634.0	678.5	702.7	745.3
45 Security repurchase agreements	399.9	471.1	549.4	660.1	522.1	548.1	549.4	603.4	629.3	655.6	660.1
46 Foreign deposits	267.7	257.6	307.1	349.1	271.9	278.9	307.1	316.9	339.6	346.6	349.1
47 Mutual fund shares	992.5	1,375.4	1,477.3	1,865.0	1,445.4	1,515.8	1,477.3	1,552.8	1,664.4	1,789.6	1,865.0
48 Security credit	217.7	279.0	279.0	299.6	279.1	263.9	279.0	269.5	277.9	286.2	299.6
49 Trade payables	995.1	1,032.8	1,144.8	1,246.2	1,059.9	1,082.3	1,144.8	1,143.8	1,158.6	1,202.0	1,246.2
50 Taxes payable	79.7	84.2	87.3	88.9	82.0	86.3	87.3	93.5	88.6	91.4	88.9
51 Investment in bank personal trusts	660.6	691.3	699.4	841.7	680.0	701.1	699.4	736.3	774.6	817.0	841.7
52 Miscellaneous	4,791.2	5,102.9	5,363.9	5,724.6	5,239.7	5,322.2	5,363.9	5,437.9	5,510.4	5,586.2	5,724.6
53 **Total liabilities**	**32,718.6**	**35,168.3**	**37,210.2**	**40,725.4**	**35,996.6**	**36,652.0**	**37,210.2**	**37,965.3**	**38,925.7**	**39,803.2**	**40,725.4**
Financial assets not included in liabilities (+)											
54 Gold and special drawing rights	19.6	20.1	21.1	22.1	20.8	21.0	21.1	22.7	22.9	22.1	22.1
55 Corporate equities	5,462.9	6,278.5	6,293.4	8,345.4	5,965.8	6,228.7	6,293.4	6,835.8	7,393.0	8,013.8	8,345.4
56 Household equity in noncorporate business	2,458.3	2,476.3	2,564.6	2,635.6	2,523.9	2,550.9	2,564.6	2,576.8	2,608.5	2,622.2	2,635.6
Floats not included in assets (−)											
57 U.S. government checkable deposits	6.8	5.6	3.4	3.1	.9	1.2	3.4	4.2	2.0	.6	3.1
58 Other checkable deposits	42.0	40.7	38.0	34.2	38.7	30.6	38.0	33.3	35.7	27.3	34.2
59 Trade credit	−251.0	−215.1	−219.0	−219.5	−280.2	−282.3	−219.0	−258.1	−277.1	−283.9	−219.5
Liabilities not identified as assets (−)											
60 Treasury currency	−4.9	−5.1	−5.4	−5.8	−5.2	−5.3	−5.4	−5.4	−5.5	−5.6	−5.8
61 Interbank claims	−9.3	−4.7	−6.5	−9.1	−7.4	−3.4	−6.5	−2.7	−2.9	.1	−9.1
62 Security repurchase agreements	43.0	77.3	105.2	113.7	99.3	98.0	105.2	131.6	115.0	130.4	113.7
63 Foreign deposits	217.6	218.3	258.7	294.1	231.4	241.3	258.7	270.2	290.6	290.2	294.1
64 Taxes payable	25.3	26.2	24.2	38.0	21.3	22.0	24.2	7.9	21.2	23.6	38.0
65 Miscellaneous	−514.4	−589.8	−723.9	−785.0	−569.2	−612.4	−723.9	−782.6	−787.4	−802.6	−785.0
66 **Total identified to sectors as assets**	**41,104.3**	**44,389.7**	**46,614.6**	**52,264.7**	**44,977.5**	**45,963.0**	**46,614.6**	**48,002.3**	**49,558.5**	**51,081.2**	**52,264.7**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.6 and L.7. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

Monthly data seasonally adjusted, and indexes 1987=100, except as noted

Measure	1993	1994	1995	1995					1996[r]			
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
1 **Industrial production**[1]	**111.5**	**118.1**	**121.9**	**122.7**	**122.8**	**122.2**	**122.6**	**122.8**	**122.5**	**123.9**	**123.4**	**124.5**
Market groupings												
2 Products, total	110.0	115.6	118.3	119.2	119.4	118.3	118.8	119.2	118.6	120.4	119.9	121.2
3 Final, total	112.7	118.3	121.4	122.4	122.6	121.3	121.9	122.1	121.9	124.2	123.3	125.0
4 Consumer goods	109.5	113.7	115.1	115.9	116.0	114.9	115.9	115.7	114.6	116.1	115.0	116.3
5 Equipment	117.5	125.3	131.4	132.9	133.1	131.5	131.4	132.3	133.7	137.3	136.6	138.9
6 Intermediate	101.8	107.3	109.0	109.4	109.5	109.2	109.3	110.1	108.5	108.9	109.6	109.9
7 Materials	113.8	122.0	127.4	128.1	128.1	128.1	128.4	128.4	128.5	129.3	128.7	129.6
Industry groupings												
8 Manufacturing	112.3	119.7	123.9	124.2	124.9	124.4	124.5	124.8	124.5	126.2	125.1	126.8
9 Capacity utilization, manufacturing (percent)[2]	80.6	83.3	83.0[r]	82.7[r]	82.8	82.2[r]	82.0[r]	81.9	81.4	82.2	81.2	82.0
10 Construction contracts[3]	105.1[r]	114.2[r]	117.8[r]	124.0	120.0	120.0[r]	121.0[r]	115.0[r]	118.0	112.0	121.0	123.0
11 Nonagricultural employment, total[4]	108.4	111.3	114.4	114.6	114.7	114.8	115.0	115.1	115.0	115.6	115.8	115.8
12 Goods-producing, total	94.3	95.6	98.2	97.9	97.9	97.9	97.8	98.0	97.7	98.3	98.1	97.8
13 Manufacturing, total	94.8	95.1	96.9	96.6	96.4	96.3	96.2	96.4	96.0	96.1	95.8	95.7
14 Manufacturing, production workers	95.3	97.4	98.3	97.9	97.7	97.5	97.4	97.7	97.1	97.3	96.9	96.8
15 Service-producing	112.9	116.3	119.5	119.9	120.1	120.1	120.4	120.6	120.5	121.1	121.4	121.5
16 Personal income, total	141.3	148.3	157.4	158.0	158.8	159.6	160.1	161.1	161.2	162.4	163.2	n.a.
17 Wages and salary disbursements	136.0	142.6	150.5	151.1	152.0	153.0	152.9	153.7	153.4	155.0	155.7	n.a.
18 Manufacturing	119.3	125.0	129.3	129.3	129.6	129.5	129.5	129.8	128.4	129.8	129.0	n.a.
19 Disposable personal income[5]	142.4	149.2	157.8	158.5	159.3	160.0	160.6	161.7	161.9	163.1	163.7	n.a.
20 Retail sales[5]	134.7	144.8	152.2	153.4	153.4	153.0	154.3	155.3	155.3	158.6	159.5	159.0
Prices[6]												
21 Consumer (1982–84=100)	144.5	148.2	152.4	152.9	153.2	153.7	153.6	153.5	154.4	154.9	155.7	156.3
22 Producer finished goods (1982=100)	124.7	125.5	127.9	128.1	127.9	128.7	128.7	129.1[r]	129.5	129.4	130.2	130.8

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1995. See "A Revision to Industrial Production and Capacity Utilization, 1991–95," *Federal Reserve Bulletin*, vol. 82 (January 1996), pp. 16–25. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

2. Ratio of index of production to index of capacity. Based on data from the Federal Reserve, DRI McGraw-Hill, U.S. Department of Commerce, and other sources.

3. Index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering, from McGraw-Hill Information Systems Company, F.W. Dodge Division.

4. Based on data from U.S. Department of Labor, *Employment and Earnings*. Series covers employees only, excluding personnel in the armed forces.

5. Based on data from U.S. Department of Commerce, *Survey of Current Business*.

6. Based on data not seasonally adjusted. Seasonally adjusted data for changes in the price indexes can be obtained from the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*.

NOTE. Basic data (not indexes) for series mentioned in notes 4 and 5, and indexes for series mentioned in notes 3 and 6, can also be found in the *Survey of Current Business*.

Figures for industrial production for the latest month are preliminary, and many figures for the three months preceding the latest month have been revised. See "Recent Developments in Industrial Capacity and Utilization," *Federal Reserve Bulletin*, vol. 76 (June 1990), pp. 411–35. See also "Industrial Production Capacity and Capacity Utilization since 1987," *Federal Reserve Bulletin*, vol. 79 (June 1993), pp. 590–605.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted

Category	1993	1994	1995	1995				1996[r]			
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
HOUSEHOLD SURVEY DATA[1]											
1 Civilian labor force[2]	128,040	131,056	132,304	132,501	132,473	132,471	132,352	132,903	133,018	133,655	133,361
Employment											
2 Nonagricultural industries[3]	116,232	119,651	121,460	121,701	121,810	121,739	121,656	121,698	122,143	122,664	122,726
3 Agriculture	3,074	3,409	3,440	3,335	3,434	3,323	3,325	3,529	3,519	3,487	3,368
Unemployment											
4 Number	8,734	7,996	7,404	7,465	7,229	7,409	7,371	7,677	7,355	7,504	7,266
5 Rate (percent of civilian labor force)	6.8	6.1	5.6	5.6	5.5	5.6	5.6	5.8	5.5	5.6	5.4
ESTABLISHMENT SURVEY DATA											
6 **Nonagricultural payroll employment**[4]	**110,525**	**113,423**	**116,597**	**116,932**	**117,000**	**117,212**	**117,357**	**117,211**	**117,842**	**118,020**	**118,022**
7 Manufacturing	18,003	18,064	18,406	18,322	18,301	18,272	18,307	18,235	18,265	18,204	18,187
8 Mining	611	604	579	573	571	567	569	567	573	575	574
9 Contract construction	4,642	4,916	5,244	5,262	5,287	5,295	5,297	5,314	5,426	5,431	5,378
10 Transportation and public utilities	5,787	5,842	6,194	6,206	6,217	6,240	6,231	6,231	6,244	6,253	6,262
11 Trade	25,675	26,362	27,156	27,245	27,256	27,362	27,376	27,334	27,462	27,519	27,544
12 Finance	6,712	6,789	6,948	6,957	6,977	6,991	7,001	7,007	7,033	7,043	7,060
13 Service	30,278	31,805	32,788	33,047	33,076	33,185	33,248	33,232	33,505	33,622	33,642
14 Government	18,817	19,041	19,282	19,320	19,315	19,300	19,328	19,291	19,334	19,373	19,375

1. Beginning January 1994, reflects redesign of current population survey and population controls from the 1990 census.

2. Persons sixteen years of age and older, including Resident Armed Forces. Monthly figures are based on sample data collected during the calendar week that contains the twelfth day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures.

3. Includes self-employed, unpaid family, and domestic service workers.

4. Includes all full- and part-time employees who worked during, or received pay for, the pay period that includes the twelfth day of the month; excludes proprietors, self-employed persons, household and unpaid family workers, and members of the armed forces. Data are adjusted to the March 1992 benchmark, and only seasonally adjusted data are available at this time.

SOURCE. Based on data from U.S. Department of Labor, *Employment and Earnings*.

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION[1]

Seasonally adjusted

Series	1995 Q2	1995 Q3	1995 Q4	1996 Q1[r]	1995[r] Q2	1995[r] Q3	1995[r] Q4	1996 Q1[r]	1995[r] Q2	1995[r] Q3	1995[r] Q4	1996 Q1[r]
	Output (1987=100)				Capacity (percent of 1987 output)				Capacity utilization rate (percent)[2]			
1 **Total industry**	**121.4**	**122.3**	**122.5**	**123.3**	**145.0**	**146.3**	**147.7**	**149.1**	**83.7**	**83.6**	**82.9**	**82.7**
2 Manufacturing	123.3	124.1	124.6	125.3	148.7	150.2	151.9	153.5	83.0	82.6	82.0	81.6
3 Primary processing[3]	117.7	117.1	117.1	116.7	134.3	135.2	136.1	136.9	87.6	86.6	86.1	85.2
4 Advanced processing[4]	126.0	127.5	128.1	129.4	155.6	157.5	159.5	161.5	81.0	80.9	80.3	80.1
5 Durable goods	131.4	133.0	134.2	136.1	159.2	161.7	164.2	166.7	82.5	82.3	81.7	81.6
6 Lumber and products	102.9	104.6	105.8	104.6	118.7	119.8	120.9	121.7	86.7	87.3	87.5	85.9
7 Primary metals	119.1	118.2	118.8	118.5	128.1	128.8	129.5	130.3	92.9	91.8	91.8	91.0
8 Iron and steel	121.9	121.3	121.3	122.4	132.4	132.9	133.5	134.4	92.1	91.3	90.9	91.0
9 Nonferrous	115.1	113.9	115.3	113.3	122.5	123.3	124.0	124.8	94.0	92.4	93.0	90.8
10 Industrial machinery and equipment	174.4	178.9	186.8	195.5	200.5	206.1	212.0	218.1	87.0	86.8	88.1	89.6
11 Electrical machinery	171.2	178.4	182.9	186.5	199.0	206.3	213.9	221.8	86.0	86.5	85.5	84.1
12 Motor vehicles and parts	140.5	140.7	140.5	132.7	174.4	176.8	179.2	181.3	80.6	79.6	78.4	73.2
13 Aerospace and miscellaneous transportation equipment	88.7	86.9	79.0	84.0	130.9	130.1	129.3	128.6	67.7	66.8	61.1	65.3
14 Nondurable goods	114.4	114.3	113.9	113.3	137.1	137.7	138.4	139.0	83.5	83.0	82.3	81.5
15 Textile mill products	113.7	110.9	109.4	106.5	130.4	131.6	132.8	133.7	87.2	84.3	82.4	79.7
16 Paper and products	121.2	119.5	118.1	114.4	131.7	132.8	133.9	134.9	92.0	90.0	88.2	84.8
17 Chemicals and products	124.0	124.6	126.4	126.2	154.7	155.6	156.5	157.5	80.2	80.1	80.7	80.1
18 Plastics materials	122.9	118.3	123.1	...	133.8	135.4	137.1	...	91.9	87.3	89.7	...
19 Petroleum products	108.0	109.2	107.7	109.5	116.2	116.4	116.6	116.8	92.9	93.8	92.4	93.8
20 Mining	100.7	100.2	98.2	98.3	112.0	111.9	111.9	111.9	89.9	89.5	87.8	87.9
21 Utilities	120.7	124.7	124.1	125.9	134.8	135.2	135.6	136.0	89.5	92.3	91.5	92.6
22 Electric	120.4	125.0	123.7	126.2	132.1	132.5	133.0	133.4	91.1	94.3	93.1	94.6

Series	1973 High	1975 Low	Previous cycle[5] High	Previous cycle[5] Low	Latest cycle[6] High	Latest cycle[6] Low	1995[r] Apr.	1995[r] Nov.	1995[r] Dec.	1996 Jan.[r]	1996 Feb.[r]	1996 Mar.	1996 Apr.[p]
	Capacity utilization rate (percent)[2]												
1 **Total industry**	**89.2**	**72.6**	**87.3**	**71.8**	**84.9**	**78.0**	**84.0**	**83.0**	**82.9**	**82.4**	**83.1**	**82.5**	**83.0**
2 Manufacturing	88.9	70.8	87.3	70.0	85.2	76.6	83.4	82.0	81.9	81.4	82.2	81.2	82.0
3 Primary processing[3]	92.2	68.9	89.7	66.8	89.0	77.9	88.2	86.0	86.0	85.4	85.0	85.2	85.3
4 Advanced processing[4]	87.5	72.0	86.3	71.4	83.5	76.1	81.3	80.3	80.2	79.7	81.0	79.6	80.6
5 Durable goods	88.8	68.5	86.9	65.0	84.0	73.7	83.0	81.8	81.7	81.3	82.5	81.0	82.4
6 Lumber and products	90.1	62.2	87.6	60.9	93.3	76.1	87.8	86.7	88.1	84.8	85.1	87.9	89.1
7 Primary metals	100.6	66.2	102.4	46.8	92.8	74.2	94.0	93.3	92.6	93.5	89.8	89.5	90.4
8 Iron and steel	105.8	66.6	110.4	38.3	95.7	72.0	93.5	94.5	91.8	95.6	88.9	88.6	88.9
9 Nonferrous	92.9	61.3	90.5	62.2	88.7	75.2	94.6	91.8	93.5	90.7	91.0	90.7	92.2
10 Industrial machinery and equipment	96.4	74.5	92.1	64.9	84.0	71.8	87.8	88.0	88.8	88.8	90.0	90.1	89.9
11 Electrical machinery	87.8	63.8	89.4	71.1	84.9	77.0	86.3	85.8	84.4	83.2	85.2	83.9	83.1
12 Motor vehicles and parts	93.4	51.1	93.0	44.5	85.1	56.6	82.4	78.5	78.4	75.0	77.9	66.8	79.3
13 Aerospace and miscellaneous transportation equipment	77.0	66.6	81.1	66.9	88.4	78.8	68.1	60.1	61.5	63.8	65.6	66.5	67.3
14 Nondurable goods	87.9	71.8	87.0	76.9	86.7	80.3	83.7	82.2	82.1	81.4	81.7	81.5	81.4
15 Textile mill products	92.0	60.4	91.7	73.8	92.1	78.8	90.2	82.0	81.2	78.0	79.4	81.6	80.6
16 Paper and products	96.9	69.0	94.2	82.0	94.8	86.7	92.3	86.8	88.1	85.3	84.1	85.0	85.3
17 Chemicals and products	87.9	69.9	85.1	70.1	85.9	79.0	80.0	80.5	80.6	80.8	80.1	79.4	79.3
18 Plastics materials	102.0	50.6	90.9	63.4	97.0	74.8	93.5	90.3	89.6	90.8	91.3	...	...
19 Petroleum products	96.7	81.1	89.5	68.2	88.5	84.6	92.9	92.1	93.3	93.3	94.3	93.7	94.2
20 Mining	94.4	88.4	96.6	80.6	86.5	86.1	89.9	87.9	87.7	86.8	87.3	89.7	89.0
21 Utilities	95.6	82.5	88.3	76.2	92.6	83.1	88.2	92.5	92.2	92.4	92.4	92.9	91.1
22 Electric	99.0	82.7	88.3	78.7	94.8	86.7	90.1	93.0	93.1	94.2	94.9	94.7	93.2

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1995. See "A Revision to Industrial Production and Capacity Utilization, 1991–95," *Federal Reserve Bulletin*, vol. 82 (January 1996), pp. 16–25. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

2. Capacity utilization is calculated as the ratio of the Federal Reserve's seasonally adjusted index of industrial production to the corresponding index of capacity.

3. Primary processing includes textiles; lumber; paper; industrial chemicals; synthetic materials; fertilizer materials; petroleum products; rubber and plastics; stone, clay, and glass; primary metals; and fabricated metals.

4. Advanced processing includes foods; tobacco; apparel; furniture and fixtures; printing and publishing; chemical products such as drugs and toiletries; agricultural chemicals; leather and products; machinery; transportation equipment; instruments; and miscellaneous manufactures.

5. Monthly highs, 1978–80; monthly lows, 1982.

6. Monthly highs, 1988–89; monthly lows, 1990–91.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data seasonally adjusted

Group	1992 proportion	1995 avg.	1995 Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1996 Jan.[r]	Feb.[r]	Mar.	Apr.[p]
			Index (1987 = 100)												
MAJOR MARKETS															
1 **Total index**	**100.0**	**121.9**	**121.4**	**121.3**	**121.4**	**121.5**	**122.7**	**122.8**	**122.2**	**122.6**	**122.8**	**122.5**	**123.9**	**123.4**	**124.5**
2 Products	60.6	118.3	117.7	117.5	117.9	118.0	119.2	119.4	118.3	118.8	119.2	118.6	120.4	119.9	121.2
3 Final products	46.3	121.4	120.9	120.6	121.1	121.2	122.4	122.6	121.3	121.9	122.1	121.9	124.2	123.3	125.0
4 Consumer goods, total	28.6	115.1	114.4	114.1	114.8	114.6	115.9	116.0	114.9	115.9	115.7	114.6	116.1	115.0	116.3
5 Durable consumer goods	5.6	124.2	124.9	121.6	122.3	121.4	124.0	125.8	123.4	124.9	126.3	120.3	125.0	119.7	127.3
6 Automotive products	2.5	130.7	131.7	127.1	129.1	125.3	130.7	132.9	128.5	130.5	132.8	125.9	133.1	120.4	135.5
7 Autos and trucks	1.6	131.4	132.8	127.4	129.5	123.9	132.0	133.1	128.6	129.8	132.1	124.1	133.5	111.1	135.9
8 Autos, consumer	.9	103.1	105.5	99.4	99.2	101.0	100.6	102.6	100.2	100.2	99.5	92.8	99.7	77.0	104.1
9 Trucks, consumer	.7	181.7	180.9	177.1	183.6	163.9	188.2	187.7	179.1	182.8	190.6	180.4	194.4	173.1	192.7
10 Auto parts and allied goods	.9	127.8	128.0	125.0	126.8	126.6	126.6	130.8	126.7	130.2	132.7	128.1	130.6	137.6	133.0
11 Other	3.0	118.6	119.0	116.7	116.3	118.1	118.1	119.6	118.9	119.9	120.5	115.5	117.9	119.1	120.2
12 Appliances, televisions, and air conditioners	.7	135.5	131.6	131.2	131.4	132.2	135.8	139.4	140.1	145.3	141.9	132.2	137.2	138.3	141.5
13 Carpeting and furniture	.8	105.8	109.1	103.0	101.8	107.9	104.4	106.9	105.6	104.1	107.4	101.1	103.4	107.3	107.3
14 Miscellaneous home goods	1.5	118.2	118.8	118.1	118.0	117.4	118.0	117.8	116.9	117.6	118.3	116.2	117.6	117.1	117.8
15 Nondurable consumer goods	23.0	112.9	111.8	112.4	113.1	113.0	113.9	113.7	112.9	113.8	113.2	113.3	114.0	114.0	113.7
16 Foods and tobacco	10.3	111.3	111.2	111.5	113.1	112.8	111.8	111.6	111.1	110.9	110.6	110.6	111.8	112.2	112.4
17 Clothing	2.4	94.8	96.9	96.7	94.6	93.6	93.9	93.4	92.9	91.5	89.7	88.2	90.3	89.1	88.8
18 Chemical products	4.5	131.3	126.9	127.3	128.6	128.6	132.6	134.0	135.7	135.0	136.5	138.1	136.6	135.6	134.6
19 Paper products	2.9	106.6	106.9	106.5	106.3	107.6	106.7	107.3	106.6	108.4	106.3	104.9	105.9	105.4	106.4
20 Energy	2.9	116.5	112.2	115.8	115.8	116.1	122.3	119.0	113.1	121.1	119.5	121.0	121.4	122.5	120.2
21 Fuels	.9	108.8	108.8	108.2	108.8	108.2	108.4	111.4	107.3	108.2	108.6	108.6	111.8	111.1	111.8
22 Residential utilities	2.1	119.6	113.5	119.0	118.7	119.4	128.2	122.2	115.4	126.6	124.1	126.1	125.4	127.3	123.8
23 Equipment	17.7	131.4	131.3	130.8	131.2	131.6	132.9	133.1	131.5	131.4	132.3	133.7	137.3	136.6	138.9
24 Business equipment	13.7	155.7	155.0	154.3	155.1	155.7	157.5	158.2	156.5	156.9	158.4	160.5	164.9	163.0	166.0
25 Information processing and related	5.7	198.1	194.5	193.9	196.0	197.2	201.0	203.0	206.5	208.1	209.4	213.3	220.6	222.2	224.0
26 Computer and office equipment	1.4	373.5	356.4	362.1	363.2	371.7	379.6	390.0	402.9	417.8	431.7	442.9	463.3	480.0	491.5
27 Industrial	4.0	127.5	126.1	126.5	126.2	127.1	129.1	128.7	128.6	129.1	129.5	129.6	131.2	130.3	129.7
28 Transit	2.6	136.3	142.9	139.6	140.3	139.8	138.0	137.9	122.3	119.6	124.5	128.1	133.6	121.1	135.6
29 Autos and trucks	1.2	140.1	141.5	137.8	139.5	139.9	141.3	143.3	135.7	134.2	135.3	129.1	136.0	113.6	140.0
30 Other	1.4	123.2	123.2	122.7	122.6	122.6	122.2	123.3	120.9	121.4	121.7	122.1	123.5	123.1	123.5
31 Defense and space equipment	3.3	65.9	67.1	66.8	66.8	66.5	66.1	65.2	64.4	62.9	62.0	61.6	62.9	63.7	63.9
32 Oil and gas well drilling	.6	87.1	89.3	90.5	86.8	88.4	89.5	88.3	83.5	83.1	83.8	85.1	89.7	96.3	100.6
33 Manufactured homes	.2	152.7	146.6	148.3	149.6	148.6	155.9	158.0	158.9	161.8	164.4	158.1	157.8	168.2	...
34 Intermediate products, total	14.3	109.0	108.2	108.2	108.2	108.5	109.4	109.5	109.2	109.3	110.1	108.5	108.9	109.6	109.9
35 Construction supplies	5.3	108.2	108.0	106.6	107.2	107.3	107.0	108.4	108.3	108.7	110.5	107.2	108.6	110.4	111.3
36 Business supplies	9.0	109.6	108.5	109.4	109.1	109.5	111.0	110.3	109.9	109.9	110.0	109.6	109.2	109.3	109.1
37 Materials	39.4	127.4	127.0	127.2	126.8	126.8	128.1	128.1	128.1	128.4	128.4	128.5	129.3	128.7	129.6
38 Durable goods materials	20.8	141.5	139.8	139.8	139.7	140.2	142.3	144.1	143.9	145.3	144.8	145.8	147.3	145.5	147.9
39 Durable consumer parts	4.0	138.5	137.9	135.9	135.8	133.9	138.4	139.8	138.6	140.1	139.3	140.6	141.1	132.4	143.2
40 Equipment parts	7.5	163.0	158.9	160.3	161.7	164.4	167.1	169.1	169.4	171.0	170.8	171.7	176.4	177.0	177.4
41 Other	9.2	126.2	125.9	125.6	124.5	124.4	124.9	126.8	126.5	127.9	127.2	128.2	127.8	127.2	127.3
42 Basic metal materials	3.1	125.7	126.1	125.5	123.5	124.9	123.1	127.0	124.3	128.1	126.6	125.7	123.6	123.5	124.4
43 Nondurable goods materials	8.9	119.8	121.7	122.2	120.4	118.9	118.8	117.8	118.7	116.6	117.4	115.7	116.3	116.0	115.9
44 Textile materials	1.1	109.2	113.2	112.8	109.0	102.6	109.2	106.2	107.3	104.8	103.3	100.3	101.8	103.0	100.5
45 Paper materials	1.8	120.5	122.3	125.6	121.0	123.9	120.4	117.0	121.4	114.3	115.2	113.4	113.4	112.9	113.3
46 Chemical materials	3.9	124.4	125.6	126.2	125.2	124.4	123.1	123.3	122.9	122.7	121.9	121.8	121.7	121.3	121.9
47 Other	2.1	116.5	118.4	116.9	117.4	113.8	114.6	115.1	114.6	114.1	118.9	115.2	117.1	116.4	116.0
48 Energy materials	9.7	106.6	106.6	107.2	107.2	107.5	108.5	105.8	105.5	105.7	106.0	105.9	105.6	107.0	105.6
49 Primary energy	6.3	101.9	102.2	102.3	103.0	102.3	101.4	101.2	101.7	100.8	101.0	100.6	100.9	102.2	100.7
50 Converted fuel materials	3.3	116.0	115.5	116.9	115.5	118.1	122.8	115.0	113.1	115.4	116.2	116.6	114.9	116.5	115.3
SPECIAL AGGREGATES															
51 Total excluding autos and trucks	97.2	121.5	120.9	121.0	121.1	121.2	122.3	122.4	121.9	122.3	122.5	122.4	123.6	123.7	124.1
52 Total excluding motor vehicles and parts	95.2	120.9	120.3	120.5	120.5	120.7	121.7	121.8	121.3	121.7	121.9	121.9	123.1	123.5	123.5
53 Total excluding computer and office equipment	98.2	118.2	117.9	117.8	117.8	117.8	118.9	118.9	118.1	118.4	118.5	118.0	119.3	118.5	119.5
54 Consumer goods excluding autos and trucks	27.0	114.0	113.1	113.3	113.9	114.0	114.8	114.9	114.0	115.0	114.7	114.0	115.0	115.3	115.1
55 Consumer goods excluding energy	25.7	114.9	114.6	113.9	114.7	114.5	115.1	115.7	115.1	115.3	115.3	113.9	115.5	114.2	115.9
56 Business equipment excluding autos and trucks	12.5	157.0	156.2	155.8	156.5	157.2	158.9	159.5	158.4	159.0	160.5	163.5	167.6	167.8	168.4
57 Business equipment excluding computer and office equipment	12.2	133.0	133.7	132.5	133.2	133.2	134.4	134.3	131.6	130.8	131.3	132.6	135.6	132.3	134.5
58 Materials excluding energy	29.7	134.9	134.3	134.4	133.8	133.7	135.1	136.1	136.2	136.6	136.4	136.6	137.8	136.5	138.1

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]—Continued

Group	SIC[2] code	1992 proportion	1995 avg.	1995 Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1996 Jan.[r]	Feb.[r]	Mar.	Apr.[p]
				Index (1987 = 100)												
MAJOR INDUSTRIES																
59 **Total index**	...	**100.0**	**121.9**	**121.4**	**121.3**	**121.4**	**121.5**	**122.7**	**122.8**	**122.2**	**122.6**	**122.8**	**122.5**	**123.9**	**123.4**	**124.5**
60 Manufacturing	...	85.4	123.9	123.5	123.2	123.3	123.3	124.2	124.9	124.4	124.5	124.8	124.5	126.2	125.1	126.8
61 Primary processing	...	26.6	117.6	118.2	117.9	117.1	116.9	116.6	117.8	117.0	117.1	117.3	116.7	116.4	116.9	117.3
62 Advanced processing	...	58.9	126.8	126.0	125.7	126.3	126.3	127.8	128.2	127.9	128.0	128.4	128.2	130.8	129.0	131.3
63 Durable goods	...	45.0	132.5	131.6	131.1	131.5	131.5	133.2	134.4	133.5	134.3	134.8	134.9	137.6	135.8	138.9
64 Lumber and products	24	2.0	104.5	103.9	101.7	103.0	103.7	103.7	106.2	105.7	104.8	106.9	103.1	103.6	107.2	108.9
65 Furniture and fixtures	25	1.4	111.6	111.4	110.8	111.3	111.1	110.9	112.0	110.9	109.8	109.3	109.3	110.4	109.1	109.1
66 Stone, clay, and glass products	32	2.1	104.1	103.4	104.1	103.8	103.2	103.0	103.8	104.5	104.9	104.3	105.5	104.5	103.8	104.4
67 Primary metals	33	3.1	119.2	120.2	119.5	117.5	118.3	115.4	121.0	115.7	120.8	120.0	121.5	117.1	117.0	118.4
68 Iron and steel	331,2	1.7	122.4	123.5	123.0	119.2	119.3	117.7	127.0	115.1	126.1	122.7	128.1	119.5	119.5	120.3
69 Raw steel	331PT	.1	114.7	114.7	113.0	112.9	111.5	114.2	118.6	111.3	116.4	118.0	113.9	112.5	114.9	...
70 Nonferrous	333−6,9	1.4	114.8	115.7	114.8	114.9	116.5	111.9	113.2	115.8	113.8	116.2	113.0	113.6	113.4	115.5
71 Fabricated metal products	34	5.0	113.9	112.3	113.7	113.7	112.4	114.3	115.1	114.0	114.5	115.0	115.6	117.0	116.5	117.0
72 Industrial machinery and equipment	35	8.0	177.8	174.3	174.6	174.4	176.0	179.5	181.3	183.8	186.5	190.1	191.9	196.3	198.3	199.8
73 Computer and office equipment	357	1.8	373.5	356.4	362.1	363.2	371.7	379.6	390.0	402.9	417.8	431.7	442.9	463.3	480.0	491.5
74 Electrical machinery	36	7.2	174.9	169.6	171.1	173.0	175.7	178.7	180.8	182.4	183.6	182.8	182.4	188.9	188.2	188.7
75 Transportation equipment	37	9.5	113.3	115.7	113.2	113.4	111.6	114.1	114.1	109.3	108.6	109.7	108.3	112.2	103.0	114.9
76 Motor vehicles and parts	371	4.8	141.9	143.0	138.8	139.7	136.7	142.1	143.3	139.7	140.7	141.2	135.5	141.2	121.4	144.7
77 Autos and light trucks	371PT	2.5	131.3	132.9	127.3	129.2	124.3	131.6	132.8	128.4	129.6	131.5	123.5	132.8	109.9	135.5
78 Aerospace and miscellaneous transportation equipment	372−6,9	4.7	85.8	89.4	88.5	88.1	87.6	87.2	85.9	80.0	77.7	79.4	82.2	84.3	85.4	86.3
79 Instruments	38	5.4	110.7	111.2	109.6	110.9	110.2	111.4	111.3	111.4	111.5	109.7	111.0	113.4	112.6	112.2
80 Miscellaneous	39	1.3	122.7	122.7	122.3	123.1	121.4	122.4	122.9	122.2	123.3	123.5	122.1	124.2	124.5	123.2
81 Nondurable goods	...	40.5	114.3	114.6	114.4	114.3	114.3	114.3	114.4	114.3	113.7	113.8	113.1	113.6	113.4	113.4
82 Foods	20	9.4	115.3	115.1	115.9	116.1	115.3	115.5	115.5	115.4	114.8	114.8	114.8	116.3	116.0	116.2
83 Tobacco products	21	1.6	90.2	92.0	89.3	96.4	99.1	91.3	90.2	88.2	88.9	88.4	87.1	88.3	90.1	90.6
84 Textile mill products	22	1.8	112.6	117.2	113.6	110.4	109.9	112.4	110.5	111.1	108.9	108.3	104.1	106.2	109.2	108.0
85 Apparel products	23	2.2	95.7	97.4	97.5	95.5	94.8	94.5	94.5	93.3	92.4	91.5	89.2	91.2	89.8	90.4
86 Paper and products	26	3.6	119.8	121.2	122.4	119.9	121.3	118.6	118.5	119.7	116.2	118.2	114.9	113.5	114.9	115.6
87 Printing and publishing	27	6.8	99.4	99.2	99.0	98.6	99.0	100.5	99.8	98.9	99.3	98.8	97.9	98.6	97.4	97.7
88 Chemicals and products	28	9.9	125.0	123.5	124.0	124.4	124.0	124.4	125.3	126.7	126.0	126.5	127.1	126.2	125.3	125.4
89 Petroleum products	29	1.4	108.3	107.8	107.4	108.6	109.0	108.5	110.0	106.9	107.4	108.9	108.9	110.1	109.6	110.2
90 Rubber and plastic products	30	3.5	139.4	140.8	138.2	137.8	137.7	138.7	139.8	139.7	140.3	139.3	139.0	139.6	140.7	138.6
91 Leather and products	31	.3	81.3	82.7	83.0	81.2	78.7	80.8	80.5	79.7	78.2	76.8	75.6	77.2	76.7	75.1
92 Mining	...	6.9	99.9	100.6	100.5	101.0	100.7	100.0	100.0	98.2	98.3	98.1	97.1	97.6	100.3	99.5
93 Metal	10	.5	169.3	164.6	164.3	166.8	172.2	172.1	170.8	178.3	175.9	172.8	159.5	157.2	160.9	160.9
94 Coal	12	1.0	112.9	112.3	110.8	112.2	117.0	109.7	116.2	112.3	109.5	108.5	103.3	108.0	114.8	109.5
95 Oil and gas extraction	13	4.8	91.9	93.1	93.4	93.6	91.9	92.4	91.2	89.2	90.1	90.1	90.8	89.7	91.7	92.0
96 Stone and earth minerals	14	.6	112.3	112.7	111.1	111.9	113.5	111.6	113.1	112.4	110.9	112.4	108.9	117.6	119.1	115.7
97 Utilities	...	7.7	122.0	118.8	122.1	121.0	122.7	128.8	122.7	121.6	125.4	125.1	125.6	125.7	126.5	124.3
98 Electric	491,493PT	6.1	122.1	118.9	121.2	121.2	122.2	130.0	122.7	123.7	123.6	123.9	125.5	126.6	126.6	124.7
99 Gas	492,493PT	1.6	121.7	118.4	125.5	120.6	124.5	124.3	122.4	113.6	132.5	129.9	125.6	121.8	126.4	122.4
SPECIAL AGGREGATES																
100 Manufacturing excluding motor vehicles and parts	...	80.6	122.8	122.3	122.2	122.3	122.5	123.1	123.8	123.4	123.6	123.9	123.9	125.3	125.4	125.7
101 Manufacturing excluding office and computing machines	...	83.7	119.5	119.3	118.9	119.1	118.9	119.8	120.3	119.6	119.6	119.7	119.3	120.6	119.4	120.9
				Gross value (billions of 1992 dollars, annual rates)												
MAJOR MARKETS																
102 **Products, total**	...	**2,002.9**	**2,245.6**	**2,236.5**	**2,231.5**	**2,239.1**	**2,238.8**	**2,257.8**	**2,268.1**	**2,240.3**	**2,255.8**	**2,265.7**	**2,248.9**	**2,289.3**	**2,267.4**	**2,308.4**
103 Final	...	1,552.2	1,748.7	1,743.1	1,737.4	1,745.6	1,743.2	1,760.5	1,768.2	1,741.9	1,756.8	1,761.9	1,753.0	1,792.1	1,765.4	1,805.0
104 Consumer goods	...	1,033.4	1,130.5	1,125.2	1,122.3	1,128.4	1,124.0	1,135.7	1,141.1	1,125.1	1,139.3	1,139.0	1,124.7	1,146.0	1,127.8	1,148.5
105 Equipment	...	518.8	618.3	617.9	615.1	617.1	619.2	624.8	627.1	616.7	617.5	622.9	628.4	646.1	637.7	656.5
106 Intermediate	...	450.7	496.9	493.4	494.0	493.5	495.6	497.3	499.9	498.4	499.0	503.8	495.9	497.2	501.9	503.4

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1995. See "A Revision to Industrial Production and Capacity Utilization, 1991–95," *Federal Reserve Bulletin*, vol. 82 (January 1996), pp. 16–25. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76, (April 1990), pp. 187–204.

2. Standard industrial classification.

2.14 HOUSING AND CONSTRUCTION

Monthly figures at seasonally adjusted annual rates except as noted

Item	1993	1994	1995	1995							1996[r]		
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
	Private residential real estate activity (thousands of units except as noted)												
NEW UNITS													
1 Permits authorized	1,199	1,372	1,331	1,275	1,355	1,368	1,405	1,384	1,448	1,478	1,372	1,411	1,415
2 One-family	987	1,068	997	958	1,011	1,044	1,073	1,051	1,069	1,110	1,050	1,082	1,092
3 Two-family or more	213	303	335	317	344	324	332	333	379	368	322	329	323
4 Started	1,288	1,457	1,354	1,301	1,450	1,401	1,401	1,351	1,458	1,425	1,453	1,514	1,435
5 One-family	1,126	1,198	1,076	1,036	1,125	1,135	1,130	1,109	1,129	1,150	1,146	1,183	1,165
6 Two-family or more	162	259	278	265	325	266	271	242	329	275	307	331	270
7 Under construction at end of period[1]	680	762	776	755	762	772	783	781	790	800	803	804	821
8 One-family	543	558	547	533	539	547	555	560	562	569	569	570	583
9 Two-family or more	137	204	229	222	223	225	228	221	228	231	234	234	238
10 Completed	1,193	1,347	1,313	1,256	1,332	1,247	1,267	1,320	1,360	1,225	1,403	1,322	1,390
11 One-family	1,040	1,160	1,066	1,049	1,034	1,019	1,009	1,039	1,081	1,003	1,113	1,049	1,111
12 Two-family or more	153	187	247	207	298	228	258	281	279	222	290	273	279
13 Mobile homes shipped	254	304	340	333	337	344	352	354	355	352	352	341	364
Merchant builder activity in one-family units													
14 Number sold	666	670	665	724	782	707	684	673	679	683	729	727	672
15 Number for sale at end of period[1]	293	337	372	347	344	349	350	360	368	372	373	363	379
Price of units sold (thousands of dollars)[2]													
16 Median	126.1	130.4	133.4	133.7	131.0	134.9	130.0	135.2	137.0	138.6	131.0	138.0	138.0
17 Average	147.6	153.7	157.6	160.2	154.2	162.0	155.6	156.2	160.7	165.6	154.2	163.5	162.3
EXISTING UNITS (one-family)													
18 Number sold	3,800	3,946	3,801	3,800	3,970	4,050	4,090	4,070	4,000	3,870	3,720	3,940	4,200
Price of units sold (thousands of dollars)[2]													
19 Median	106.5	109.6	112.2	116.2	116.0	117.6	114.8	113.2	114.3	113.9	114.8	114.0	115.7
20 Average	133.1	136.4	138.4	143.3	142.5	144.5	140.2	138.7	139.5	138.7	141.2	138.7	140.1
	Value of new construction (millions of dollars)[3]												
CONSTRUCTION													
21 Total put in place	**464,504**	**506,904**	**526,597**	**518,934**	**528,673**	**528,397**	**535,106**	**534,488**	**531,710**	**535,143**	**540,566**	**532,124**	**548,367**
22 Private	339,161	376,566	383,887	377,486	384,307	385,653	386,960	388,882	386,666	390,266	392,738	390,618	401,109
23 Residential	210,455	238,884	236,114	228,388	231,002	233,982	237,618	237,741	239,427	241,950	241,565	241,776	248,510
24 Nonresidential	128,706	137,682	147,773	149,098	153,305	151,671	149,342	151,141	147,239	148,316	151,173	148,842	152,599
25 Industrial buildings	19,533	21,121	24,154	24,416	24,399	24,202	24,096	24,964	24,579	24,153	25,125	23,847	24,215
26 Commercial buildings	42,627	48,552	55,159	55,420	57,015	55,709	55,079	56,472	55,482	57,596	56,185	55,399	57,138
27 Other buildings	23,626	23,912	23,990	23,447	24,525	24,015	23,962	24,547	23,753	24,033	24,511	24,405	24,878
28 Public utilities and other	42,920	44,097	44,470	45,815	47,366	47,745	46,205	45,158	43,425	42,534	45,352	45,191	46,368
29 Public	125,342	130,337	142,713	141,447	144,366	142,744	148,146	145,606	145,044	144,877	147,828	141,505	147,258
30 Military	2,454	2,319	2,905	2,569	3,124	3,010	3,090	2,527	3,195	3,216	3,176	3,265	2,846
31 Highway	37,431	39,882	42,221	40,875	44,274	42,902	42,942	44,351	43,361	43,914	43,735	46,855	46,642
32 Conservation and development	5,978	6,228	6,316	6,117	6,603	6,769	6,469	5,191	6,048	5,823	5,618	5,389	5,838
33 Other	79,479	81,908	91,271	91,886	90,365	90,063	95,645	93,537	92,440	91,924	95,299	85,996	91,932

1. Not at annual rates.
2. Not seasonally adjusted.
3. Recent data on value of new construction may not be strictly comparable with data for previous periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes, see *Construction Reports* (C-30-76-5), issued by the Census Bureau in July 1976.

SOURCE. Bureau of the Census estimates for all series except (1) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (2) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from the originating agency. Permit authorizations are those reported to the Census Bureau from 19,000 jurisdictions beginning in 1994.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (annual rate)				Change from 1 month earlier					Index level, Apr. 1996[1]
	1995 Apr.	1996 Apr.	1995			1996	1995	1996				
			June	Sept.	Dec.[r]	Mar.[r]	Dec.[r]	Jan.[r]	Feb.	Mar.	Apr.	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**3.1**	**2.9**	**3.5**	**1.6**	**2.4**	**4.0**	**.2**	**.4**	**.2**	**.4**	**.4**	**156.3**
2 Food	3.5	2.6	3.6	2.7	1.9	3.2	.1	.1	.1	.6	.3	152.3
3 Energy items	1.9	5.9	5.8	−10.5	1.9	15.8	1.1	1.9	.4	1.4	3.2	110.0
4 All items less food and energy	3.1	2.7	3.0	2.8	2.2	3.5	.1	.3	.2	.3	.1	165.0
5 Commodities	1.8	1.6	.9	2.0	1.7	2.6	.1	.4	−.1	.4	−.1	142.0
6 Services	3.7	3.2	4.3	3.0	2.5	3.4	.1	.3	.3	.2	.3	178.2
PRODUCER PRICES (1982=100)												
7 Finished goods	2.1	2.5	1.3	1.6	4.4	2.5	.6	.2	−.2	.5	.4	130.8
8 Consumer foods	1.3	2.0	−2.5	8.8	4.4	.3	.1	−.2	−.3	.6	−.3	131.3
9 Consumer energy	3.6	6.8	1.5	−10.2	10.8	17.8	3.8	2.5	−.7	2.4	2.8	83.5
10 Other consumer goods	2.0	1.9	2.9	2.3	3.4	.3	.2	−.2	.1	.1	.0	144.0
11 Capital equipment	1.9	1.6	1.8	1.8	2.9	−.3	.0	−.1	.1	−.1	.2	138.6
Intermediate materials												
12 Excluding foods and feeds	7.3	.1	3.9	−.6	−.6	−1.0	.2	.0	−.3	.1	.3	125.5
13 Excluding energy	7.8	−1.0	4.2	1.5	−2.9	−3.2	−.2	−.4	−.2	−.2	−.2	133.9
Crude materials												
14 Foods	−10.0	17.3	4.0	34.8	20.8	−3.8	−.4	−.5	−.5	.1	4.0	119.4
15 Energy	−.7	21.1	14.6	−21.0	33.9	38.1	6.1	3.4	−1.1	5.9	10.9	87.2
16 Other	18.3	−12.5	3.9	−17.6	−18.4	−10.2	−.9	−.4	−.5	−1.8	−.5	158.8

1. Not seasonally adjusted.
2. Figures for consumer prices are for all urban consumers and reflect a rental-equivalence measure of homeownership.

SOURCE. U.S. Department of Labor, Bureau of Labor Statistics.

2.16 GROSS DOMESTIC PRODUCT AND INCOME

Billions of current dollars except as noted; quarterly data at seasonally adjusted annual rates

Account	1993	1994	1995	1995 Q1	1995 Q2	1995 Q3	1995 Q4	1996 Q1
GROSS DOMESTIC PRODUCT								
1 **Total**	**6,550.2**	**6,931.4**	**7,245.8**	**7,147.8**	**7,196.5**	**7,298.5**	**7,340.4**	**7,430.7**
By source								
2 Personal consumption expenditures	4,454.1	4,698.7	4,924.3	4,836.3	4,908.7	4,960.0	4,992.3	5,061.6
3 Durable goods	530.7	580.9	606.4	593.0	604.0	615.8	612.8	622.6
4 Nondurable goods	1,368.9	1,429.7	1,486.1	1,471.6	1,486.9	1,491.4	1,494.8	1,520.7
5 Services	2,554.6	2,688.1	2,831.8	2,771.7	2,817.9	2,852.8	2,884.7	2,918.3
6 Gross private domestic investment	871.1	1,014.4	1,065.3	1,072.0	1,050.3	1,074.8	1,064.0	1,079.4
7 Fixed investment	850.5	954.9	1,028.2	1,013.9	1,016.3	1,036.6	1,046.2	1,069.6
8 Nonresidential	598.8	667.2	738.5	723.6	734.4	746.3	749.7	769.0
9 Structures	171.8	180.2	199.7	194.5	197.6	202.5	204.0	207.7
10 Producers' durable equipment	427.0	487.0	538.8	529.0	536.8	543.8	545.7	561.2
11 Residential structures	251.7	287.7	289.8	290.4	281.9	290.3	296.5	300.7
12 Change in business inventories	20.6	59.5	37.0	58.1	34.0	38.2	17.8	9.8
13 Nonfarm	26.8	48.0	39.6	60.8	36.1	41.5	19.9	13.4
14 Net exports of goods and services	−64.9	−96.4	−102.3	−106.6	−122.4	−100.8	−79.3	−95.0
15 Exports	660.0	722.0	804.5	778.6	796.9	812.5	829.9	832.7
16 Imports	724.9	818.4	906.7	885.1	919.3	913.3	909.2	927.8
17 Government consumption expenditures and gross investment	1,289.9	1,314.7	1,358.5	1,346.0	1,359.9	1,364.5	1,363.5	1,384.7
18 Federal	522.1	516.3	516.7	519.9	522.6	516.7	507.8	519.2
19 State and local	767.8	798.4	841.7	826.1	837.3	847.7	855.7	865.5
By major type of product								
20 Final sales, total	6,529.7	6,871.8	7,208.8	7,089.7	7,162.5	7,260.3	7,322.6	7,420.9
21 Goods	2,400.9	2,534.2	2,660.3	2,617.3	2,642.3	2,684.5	2,697.1	2,742.7
22 Durable	1,013.8	1,085.9	1,144.9	1,118.6	1,134.0	1,162.5	1,164.5	1,186.4
23 Nondurable	1,387.2	1,448.3	1,515.4	1,498.7	1,508.3	1,522.1	1,532.6	1,556.3
24 Services	3,581.7	3,742.4	3,920.9	3,852.6	3,904.5	3,943.2	3,983.1	4,027.5
25 Structures	547.0	595.3	627.6	619.8	615.7	632.6	642.3	650.7
26 Change in business inventories	20.6	59.5	37.0	58.1	34.0	38.2	17.8	9.8
27 Durable goods	15.7	31.9	34.9	54.4	28.5	29.2	27.3	6.5
28 Nondurable goods	4.9	27.7	2.2	3.7	5.4	9.1	−9.4	3.3
MEMO								
29 **Total GDP in chained 1992 dollars**	**6,383.8**	**6,604.2**	**6,739.0**	**6,701.6**	**6,709.4**	**6,768.3**	**6,776.5**	**6,823.6**
NATIONAL INCOME								
30 **Total**	**5,194.4**	**5,495.1**	**5,799.2**	**5,697.7**	**5,738.9**	**5,849.2**	**5,911.1**	n.a.
31 Compensation of employees	3,809.4	4,008.3	4,209.1	4,141.6	4,178.9	4,235.9	4,280.2	4,321.0
32 Wages and salaries	3,095.2	3,255.9	3,419.7	3,363.0	3,393.3	3,442.3	3,480.1	3,517.3
33 Government and government enterprises	584.2	602.5	621.7	616.3	619.6	624.1	626.9	633.3
34 Other	2,511.0	2,653.4	2,797.9	2,746.6	2,773.6	2,818.2	2,853.2	2,884.0
35 Supplement to wages and salaries	714.2	752.4	789.5	778.6	785.6	793.7	800.1	803.7
36 Employer contributions for social insurance	333.3	350.2	365.5	360.8	363.6	367.8	369.8	374.6
37 Other labor income	380.9	402.2	424.0	417.7	422.0	425.9	430.2	429.1
38 Proprietors' income[1]	420.0	450.9	478.3	472.0	474.7	479.6	486.7	498.6
39 Business and professional[1]	388.1	415.9	449.3	443.5	447.1	451.5	454.9	460.0
40 Farm[1]	32.0	35.0	29.0	28.5	27.6	28.1	31.8	38.6
41 Rental income of persons[2]	102.5	116.6	122.2	120.6	121.6	120.9	125.8	126.9
42 Corporate profits[1]	464.5	526.5	588.6	559.6	561.1	614.9	618.6	n.a.
43 Profits before tax[3]	464.3	528.2	600.8	594.1	588.4	609.6	611.0	n.a.
44 Inventory valuation adjustment	−6.6	−13.3	−28.1	−51.9	−42.3	−9.3	−8.8	−13.2
45 Capital consumption adjustment	6.7	11.6	15.9	17.4	15.0	14.6	16.5	19.8
46 Net interest	398.1	392.8	401.0	403.9	402.6	397.8	399.7	n.a.

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.
3. For after-tax profits, dividends, and the like, see table 1.48.

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars except as noted; quarterly data at seasonally adjusted annual rates

Account	1993	1994	1995	1995 Q1	1995 Q2	1995 Q3	1995 Q4	1996 Q1
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**5,479.2**	**5,750.2**	**6,101.7**	**5,995.5**	**6,061.9**	**6,135.6**	**6,213.9**	**6,291.3**
2 Wage and salary disbursements	3,090.6	3,241.1	3,419.7	3,361.6	3,393.3	3,442.3	3,481.5	3,515.9
3 Commodity-producing industries	781.3	825.0	858.7	856.2	855.0	859.9	863.5	865.2
4 Manufacturing	593.1	621.3	642.8	643.4	640.5	642.9	644.5	641.7
5 Distributive industries	698.4	739.3	787.9	768.8	778.6	795.4	808.9	819.9
6 Service industries	1,026.6	1,074.3	1,151.3	1,120.2	1,140.0	1,162.8	1,182.2	1,197.5
7 Government and government enterprises	584.2	602.5	621.7	616.3	619.6	624.1	626.9	633.3
8 Other labor income	380.9	402.2	424.0	417.7	422.0	425.9	430.2	429.1
9 Proprietors' income[1]	420.0	450.9	478.3	472.0	474.7	479.6	486.7	498.6
10 Business and professional[1]	388.1	415.9	449.3	443.5	447.1	451.5	454.9	460.0
11 Farm[1]	32.0	35.0	29.0	28.5	27.6	28.1	31.8	38.6
12 Rental income of persons[2]	102.5	116.6	122.2	120.6	121.6	120.9	125.8	126.9
13 Dividends	186.8	199.6	214.8	209.5	212.2	215.8	221.7	226.6
14 Personal interest income	647.3	661.6	714.6	701.9	713.9	717.5	725.2	730.8
15 Transfer payments	910.7	956.3	1,022.6	1,002.4	1,016.8	1,029.9	1,041.4	1,064.2
16 Old-age survivors, disability, and health insurance benefits	444.4	472.9	507.4	497.6	505.1	510.7	516.1	529.9
17 LESS: Personal contributions for social insurance	259.6	278.1	294.5	290.2	292.7	296.2	298.8	300.8
18 EQUALS: Personal income	5,479.2	5,750.2	6,101.7	5,995.5	6,061.9	6,135.6	6,213.9	6,291.3
19 LESS: Personal tax and nontax payments	689.9	731.4	794.3	770.0	801.5	798.4	807.2	812.4
20 EQUALS: Disposable personal income	4,789.3	5,018.8	5,307.4	5,225.5	5,260.4	5,337.2	5,406.7	5,478.9
21 LESS: Personal outlays	4,572.9	4,826.5	5,066.7	4,972.2	5,049.0	5,104.6	5,140.9	5,214.7
22 EQUALS: Personal saving	216.4	192.4	240.8	253.3	211.4	232.6	265.8	264.2
MEMO								
Per capita (chained 1992 dollars)								
23 Gross domestic product	24,724.2	25,332.6	25,613.8	25,559.1	25,540.2	25,695.9	25,668.6	25,788.4
24 Personal consumption expenditures	16,807.5	17,150.4	17,402.1	17,280.3	17,391.7	17,465.5	17,477.7	17,586.9
25 Disposable personal income	18,075.0	18,320.0	18,757.0	18,672.0	18,634.0	18,794.0	18,926.0	19,040.0
26 Saving rate (percent)	4.5	3.8	4.5	4.8	4.0	4.4	4.9	4.8
GROSS SAVING								
27 **Gross saving**	**938.4**	**1,055.9**	**1,141.6**	**1,110.5**	**1,092.3**	**1,155.7**	**1,207.9**	n.a.
28 Gross private saving	964.5	1,006.0	1,062.5	1,039.9	1,007.3	1,076.1	1,126.6	n.a.
29 Personal saving	216.4	192.4	240.8	253.3	211.4	232.6	265.8	264.2
30 Undistributed corporate profits[1]	103.4	120.2	142.5	120.6	122.3	162.0	165.2	n.a.
31 Corporate inventory valuation adjustment	−6.6	−13.3	−28.1	−51.9	−42.3	−9.3	−8.8	−13.2
Capital consumption allowances								
32 Corporate	417.0	441.0	454.0	444.4	451.3	456.9	463.6	466.2
33 Noncorporate	223.1	237.7	225.2	220.2	222.4	224.7	233.4	229.6
34 Gross government saving	−26.1	49.9	79.1	70.5	85.0	79.6	81.3	79.3
35 Federal	−181.5	−119.3	−88.7	−99.9	−86.3	−87.7	−81.1	−82.5
36 State and local	160.5	169.2	167.9	170.4	171.3	167.3	162.4	161.7
37 **Gross investment**	**993.5**	**1,087.2**	**1,146.1**	**1,146.7**	**1,113.9**	**1,150.7**	**1,173.0**	n.a.
38 Gross private domestic investment	871.1	1,014.4	1,065.3	1,072.0	1,050.3	1,074.8	1,064.0	1,079.4
39 Gross government investment	210.6	212.3	221.9	219.1	223.7	224.7	220.1	227.9
40 Net foreign investment	−88.2	−139.6	−141.1	−144.4	−160.1	−148.9	−111.0	n.a.
41 **Statistical discrepancy**	**55.1**	**31.3**	**4.5**	**36.2**	**21.6**	**−5.0**	**−34.9**	n.a.

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data seasonally adjusted except as noted[1]

Item credits or debits	1993	1994	1995	1994	1995			
				Q4	Q1	Q2	Q3	Q4[p]
1 Balance on current account	−99,925	−151,245	−152,915	−43,277	−38,454	−43,142	−40,250	−31,073
2 Merchandise trade balance[2]	−132,618	−166,099	−174,469	−43,488	−44,459	−48,654	−43,326	−38,030
3 Merchandise exports	456,823	502,485	574,879	133,926	138,325	142,667	145,050	148,837
4 Merchandise imports	−589,441	−668,584	−749,348	−177,414	−182,784	−191,321	−188,376	−186,867
5 Military transactions, net	448	2,148	2,810	679	542	587	889	792
6 Other service transactions, net	57,328	57,739	60,242	15,342	15,013	14,726	15,130	15,369
7 Investment income, net	9,000	−9,272	−11,403	−4,571	−2,030	−2,684	−5,163	−1,527
8 U.S. government grants	−16,311	−15,814	−11,027	−6,245	−2,867	−2,284	−2,942	−2,934
9 U.S. government pensions and other transfers	−3,785	−4,247	−3,114	−1,063	−682	−889	−887	−656
10 Private remittances and other transfers	−13,988	−15,700	−15,954	−3,931	−3,971	−3,944	−3,951	−4,087
11 Change in U.S. government assets other than official reserve assets, net (increase, −)	−330	−322	−326	−931	−152	−180	246	−240
12 Change in U.S. official reserve assets (increase, −)	−1,379	5,346	−9,742	2,033	−5,318	−2,722	−1,893	191
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−537	−441	−808	−121	−867	−156	362	−147
15 Reserve position in International Monetary Fund	−44	494	−2,466	−27	−526	−786	−991	−163
16 Foreign currencies	−797	5,293	−6,468	2,181	−3,925	−1,780	−1,264	501
17 Change in U.S. private assets abroad (increase, −)	−182,880	−130,875	−270,028	−56,258	−69,985	−97,453	−25,870	−76,720
18 Bank-reported claims[3]	29,947	915	−59,004	−16,651	−29,284	−39,982	14,631	−4,369
19 Nonbank-reported claims	1,581	−32,621	−20,358	−12,449	−11,518	−18,499	9,659	...
20 U.S. purchases of foreign securities, net	−141,807	−49,799	−93,769	−15,238	−6,567	−21,731	−33,998	−31,473
21 U.S. direct investments abroad, net	−72,601	−49,370	−96,897	−11,920	−22,616	−17,241	−16,162	−40,878
22 Change in foreign official assets in United States (increase, +)	72,146	39,409	110,483	−421	22,308	37,836	39,346	10,993
23 U.S. Treasury securities	48,952	30,723	68,773	7,470	10,131	25,169	20,489	12,984
24 Other U.S. government obligations	4,062	6,025	3,734	1,228	1,126	1,326	518	764
25 Other U.S. government liabilities[4]	1,706	2,211	1,814	692	−154	506	89	1,373
26 Other U.S. liabilities reported by U.S. banks[3]	14,841	2,923	32,896	−9,856	10,940	7,886	18,478	−4,408
27 Other foreign official assets[5]	2,585	−2,473	3,266	45	265	2,949	−228	280
28 Change in foreign private assets in United States (increase, +)	176,382	251,956	315,842	85,136	72,533	86,496	77,198	79,616
29 U.S. bank-reported liabilities[3]	20,859	114,396	19,906	34,676	−531	12,239	−21,578	29,776
30 U.S. nonbank-reported liabilities	10,489	−4,324	27,578	−5,242	10,113	10,527	6,938	...
31 Foreign private purchases of U.S. Treasury securities, net	24,063	33,811	99,081	25,929	29,910	30,315	37,192	1,664
32 Foreign purchases of other U.S. securities, net	79,864	58,625	94,576	10,195	15,816	20,549	30,977	27,234
33 Foreign direct investments in United States, net	41,107	49,448	74,701	19,578	17,225	12,866	23,669	20,942
34 Allocation of special drawing rights	0	0	0	0	0	0	0	0
35 Discrepancy	35,985	−14,269	6,684	13,718	19,068	19,165	−48,777	17,233
36 Due to seasonal adjustment	...	...	...	782	6,162	317	−7,076	600
37 Before seasonal adjustment	35,985	−14,269	6,684	12,936	12,906	18,847	−41,702	16,633
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	−1,379	5,346	−9,742	2,033	−5,318	−2,722	−1,893	191
39 Foreign official assets in United States, excluding line 25 (increase, +)	70,440	37,198	108,669	−1,113	22,462	37,330	39,257	9,620
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	−3,717	−1,184	4,482	1,120	−322	−11	6,278	−1,463

1. Seasonal factors are not calculated for lines 12–16, 18–20, 22–34, and 38–40.

2. Data are on an international accounts basis. The data differ from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise trade data and are included in line 5.

3. Reporting banks include all types of depository institutions as well as some brokers and dealers.

4. Associated primarily with military sales contracts and other transactions arranged with or through foreign official agencies.

5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*.

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data seasonally adjusted

Item	1993	1994	1995	1995				1996		
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[p]
1 Goods and services, balance	−74,842	−106,214	−111,505	−8,070	−8,165	−6,837	−6,958	−9,878	−7,037	−8,919
2 Merchandise	−132,618	−166,101	−174,555	−13,697	−13,692	−12,125	−12,306	−15,075	−12,633	−14,786
3 Services	57,777	59,887	63,050	5,627	5,527	5,288	5,348	5,197	5,596	5,867
4 Goods and services, exports	644,579	701,200	783,705	67,574	66,652	67,393	68,109	66,793	69,359	68,800
5 Merchandise	456,824	502,484	574,877	49,717	48,920	49,523	50,398	49,011	50,954	49,894
6 Services	187,755	198,716	208,828	17,857	17,732	17,870	17,711	17,782	18,405	18,906
7 Goods and services, imports	−719,421	−807,414	−895,210	−75,644	−74,817	−74,230	−75,067	−76,671	−76,396	−77,719
8 Merchandise	−589,442	−668,585	−749,432	−63,414	−62,612	−61,648	−62,704	−64,086	−63,587	−64,680
9 Services	−129,979	−138,829	−145,778	−12,230	−12,205	−12,582	−12,363	−12,585	−12,809	−13,039

1. Data show monthly values consistent with quarterly figures in the U.S. balance of payments accounts.

SOURCE. *FT900*, U.S. Department of Commerce, Bureau of the Census and Bureau of Economic Analysis.

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Asset	1992	1993	1994	1995				1996			
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[p]
1 **Total**	**71,323**	**73,442**	**74,335**	**87,152**	**86,224**	**85,755**	**85,832**	**82,717**	**84,270**	**84,212**	**83,710**
2 Gold stock, including Exchange Stabilization Fund[1]	11,056	11,053	11,051	11,051	11,051	11,050	11,050	11,052	11,053	11,053	11,052
3 Special drawing rights[2,3]	8,503	9,039	10,039	11,035	10,949	11,034	11,037	10,778	11,106	11,049	10,963
4 Reserve position in International Monetary Fund[2]	11,759	11,818	12,030	14,681	14,700	14,572	14,649	14,312	14,813	15,249	15,117
5 Foreign currencies[4]	40,005	41,532	41,215	50,385	49,524	49,099	49,096	46,575	47,298	46,861	46,578

1. Gold held "under earmark" at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13, line 3. Gold stock is valued at $42.22 per fine troy ounce.
2. Special drawing rights (SDRs) are valued according to a technique adopted by the International Monetary Fund (IMF) in July 1974. Values are based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, sixteen currencies were used; since January 1981, five currencies have been used. U.S. SDR holdings and reserve positions in the IMF also have been valued on this basis since July 1974.
3. Includes allocations of SDRs by the International Monetary Fund on Jan. 1 of the year indicated, as follows: 1970—$867 million; 1971—$717 million; 1972—$710 million; 1979—$1,139 million; 1980—$1,152 million; 1981—$1,093 million; plus net transactions in SDRs.
4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS[1]

Millions of dollars, end of period

Asset	1992	1993	1994	1995				1996			
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[p]
1 **Deposits**	**205**	**386**	**250**	**201**	**275**	**194**	**386**	**165**	**209**	**191**	**166**
Held in custody											
2 U.S. Treasury securities[2]	314,481	379,394	441,866	506,572	507,075	522,950	522,170	532,776	559,741	573,435	573,924
3 Earmarked gold[3]	13,118	12,327	12,033	11,728	11,709	11,702	11,702	11,702	11,689	11,590	11,445

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.
2. Marketable U.S. Treasury bills, notes, and bonds and nonmarketable U.S. Treasury securities, in each case measured at face (not market) value.
3. Held in foreign and international accounts and valued at $42.22 per fine troy ounce; not included in the gold stock of the United States.

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1993	1994	1995				1996		
			Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.	Mar.[p]
1 **Total**[1]	**482,915**	**520,933**[r]	**619,875**[r]	**617,912**	**632,730**	**630,495**[r]	**644,420**	**670,083**	**682,272**
By type									
2 Liabilities reported by banks in the United States[2]	69,721	73,386[r]	110,409[r]	108,075	109,516	106,978[r]	103,769	103,096	103,314
3 U.S. Treasury bills and certificates[3]	151,100	139,570	163,093	157,277	171,366	168,534	173,949	191,188	198,382
U.S. Treasury bonds and notes									
4 Marketable	212,237	254,059	286,243	291,948	291,033	293,684	306,299	314,980	319,728
5 Nonmarketable[4]	5,652	6,109	6,366	6,407	6,449	6,491	6,120	6,159	6,199
6 U.S. securities other than U.S. Treasury securities[5]	44,205	47,809	53,764	54,205	54,366	54,808	54,283	54,660	54,649
By area									
7 Europe[1]	207,034	215,374[r]	223,033[r]	222,003	228,180	222,184[r]	223,569	231,389	242,568
8 Canada	15,285	17,235	20,522	20,355	19,535	19,473	19,078	18,850	20,846
9 Latin America and Caribbean	55,898	41,492	63,618	61,534	62,344	66,570[r]	70,131	70,346	72,380
10 Asia	197,702	236,824[r]	303,809	305,025	311,638	310,966[r]	320,512	339,004	335,006
11 Africa	4,052	4,179	4,684	4,761	6,086	6,296	6,924	6,574	6,584
12 Other countries	2,942	5,827	4,207	4,232	4,945	5,004	4,204	3,918	4,886

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes current value of zero-coupon Treasury bond issues to foreign governments as follows: Mexico, beginning March 1988, 20-year maturity issue and beginning March 1990, 30-year maturity issue; Venezuela, beginning December 1990, 30-year maturity issue; Argentina, beginning April 1993, 30-year maturity issue.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.

SOURCE. Based on U.S. Department of the Treasury data and on data reported to the department by banks (including Federal Reserve Banks) and securities dealers in the United States, and on the 1989 benchmark survey of foreign portfolio investment in the United States.

3.16 LIABILITIES TO, AND CLAIMS ON, FOREIGNERS Reported by Banks in the United States[1] Payable in Foreign Currencies

Millions of dollars, end of period

Item	1992	1993	1994	1995			
				Mar.	June	Sept.	Dec.
1 Banks' liabilities	72,796	78,259	89,284	96,139	106,621	102,068	112,521
2 Banks' claims	62,799	62,017	60,689	72,732	77,138	69,450	74,874
3 Deposits	24,240	20,993	19,661	24,420	28,909	25,712	22,688
4 Other claims	38,559	41,024	41,028	48,312	48,229	43,738	52,186
5 Claims of banks' domestic customers[2]	4,432	12,854	10,878	8,879	10,244	6,624	6,145

1. Data on claims exclude foreign currencies held by U.S. monetary authorities.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of the domestic customers.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. dollars

Millions of dollars, end of period

Item	1993	1994	1995[r]	1995 Sept.	1995 Oct.	1995 Nov.	1995 Dec.[r]	1996 Jan.	1996 Feb.	1996 Mar.[p]
BY HOLDER AND TYPE OF LIABILITY										
1 **Total, all foreigners**	**926,672**	**1,014,757[r]**	**1,095,493**	**1,074,402[r]**	**1,098,512**	**1,104,705**	**1,095,493**	**1,094,316[r]**	**1,096,735**	**1,096,645**
2 Banks' own liabilities	626,919	718,440[r]	749,373	735,515[r]	762,723	755,089	749,373	743,137[r]	727,745	726,013
3 Demand deposits	21,569	23,386	24,450	23,704	23,161	23,114	24,450	22,182[r]	23,507	24,401
4 Time deposits[2]	175,106	186,512	193,238	188,154	202,532	193,884	193,238	198,513[r]	192,022	193,019
5 Other[3]	111,971	112,984[r]	139,147	136,913[r]	146,456	154,115	139,147	141,947[r]	148,524	138,128
6 Own foreign offices[4]	318,273	395,558	392,538	386,744	390,574	383,976	392,538	380,495	363,692	370,465
7 Banks' custodial liabilities[5]	299,753	296,317	346,120	338,887	335,789	349,616	346,120	351,179[r]	368,990	370,632
8 U.S. Treasury bills and certificates[6]	176,739	162,857	197,341	193,070	188,575	201,845	197,341	203,478	223,395	228,705
9 Other negotiable and readily transferable instruments[7]	36,289	42,532	52,246	47,279	47,911	49,969	52,246	46,973	43,404	40,483
10 Other	86,725	90,928	96,533	98,538	99,303	97,802	96,533	100,728[r]	102,191	101,444
11 Nonmonetary international and regional organizations[8]	10,936	8,606	10,939	13,011	10,294	9,794	10,939	10,606[r]	10,483	9,476
12 Banks' own liabilities	5,639	8,176	10,247	12,120	8,466	8,339	10,247	9,612[r]	9,688	8,558
13 Demand deposits	15	29	21	24	77	33	21	30	43	16
14 Time deposits[2]	2,780	3,298	4,656	4,315	3,901	3,631	4,656	4,385[r]	3,379	3,584
15 Other[3]	2,844	4,849	5,570	7,781	4,488	4,675	5,570	5,197	6,266	4,958
16 Banks' custodial liabilities[5]	5,297	430	692	891	1,828	1,455	692	994	795	918
17 U.S. Treasury bills and certificates[6]	4,275	281	350	354	1,342	962	350	764	555	564
18 Other negotiable and readily transferable instruments[7]	1,022	149	341	537	486	493	341	230	230	298
19 Other	0	0	1	0	0	0	1	0	10	56
20 Official institutions[9]	220,821	212,956[r]	275,512	273,502[r]	265,352	280,882	275,512	277,718[r]	294,284	301,696
21 Banks' own liabilities	64,144	59,935[r]	83,031	86,356[r]	83,837	85,551	83,031	84,890[r]	83,931	87,857
22 Demand deposits	1,600	1,564	2,098	1,362	1,646	1,690	2,098	1,522	1,655	1,423
23 Time deposits[2]	21,653	23,511	30,970	32,242	30,634	30,627	30,970	27,919[r]	29,710	31,696
24 Other[3]	40,891	34,860[r]	49,963	52,752[r]	51,557	53,234	49,963	55,449[r]	52,566	54,738
25 Banks' custodial liabilities[5]	156,677	153,021	192,481	187,146	181,515	195,331	192,481	192,828	210,353	213,839
26 U.S. Treasury bills and certificates[6]	151,100	139,570	168,534	163,093	157,277	171,366	168,534	173,949	191,188	198,382
27 Other negotiable and readily transferable instruments[7]	5,482	13,245	23,603	23,777	24,000	23,610	23,603	18,532	18,138	14,970
28 Other	95	206	344	276	238	355	344	347	1,027	487
29 Banks[10]	592,171	678,356[r]	687,760	670,562[r]	699,109	687,415	687,760	683,022[r]	666,335	663,536
30 Banks' own liabilities	478,755	563,466[r]	564,185	547,954[r]	575,678	562,115	564,185	554,793[r]	537,029	536,443
31 Unaffiliated foreign banks	160,482	167,908[r]	171,647	161,210[r]	185,104	178,139	171,647	174,298[r]	173,337	165,978
32 Demand deposits	9,718	10,633	11,746	11,818	11,341	11,232	11,746	10,247	10,948	11,813
33 Time deposits[2]	105,262	111,171	103,837	98,668	114,401	105,401	103,837	110,665[r]	104,436	101,088
34 Other[3]	45,502	46,104[r]	56,064	50,724[r]	59,362	61,506	56,064	53,386	57,953	53,077
35 Own foreign offices[4]	318,273	395,558	392,538	386,744	390,574	383,976	392,538	380,495	363,692	370,465
36 Banks' custodial liabilities[5]	113,416	114,890	123,575	122,608	123,431	125,300	123,575	128,229[r]	129,306	127,093
37 U.S. Treasury bills and certificates[6]	10,712	11,240	15,869	16,170	16,429	16,687	15,869	15,992	17,947	15,967
38 Other negotiable and readily transferable instruments[7]	17,020	14,505	13,035	9,690	9,754	13,070	13,035	13,590	12,094	11,864
39 Other	85,684	89,145	94,671	96,748	97,248	95,543	94,671	98,647[r]	99,265	99,262
40 Other foreigners	102,744	114,839[r]	121,282	117,327[r]	123,757	126,614	121,282	122,970[r]	125,633	121,937
41 Banks' own liabilities	78,381	86,863[r]	91,910	89,085[r]	94,742	99,084	91,910	93,842[r]	97,097	93,155
42 Demand deposits	10,236	11,160	10,585	10,500	10,097	10,159	10,585	10,383[r]	10,861	11,149
43 Time deposits[2]	45,411	48,532	53,775	52,929	53,596	54,225	53,775	55,544[r]	54,497	56,651
44 Other[3]	22,734	27,171[r]	27,550	25,656[r]	31,049	34,700	27,550	27,915	31,739	25,355
45 Banks' custodial liabilities[5]	24,363	27,976	29,372	28,242	29,015	27,530	29,372	29,128	28,536	28,782
46 U.S. Treasury bills and certificates[6]	10,652	11,766	12,588	13,453	13,527	12,830	12,588	12,773	13,705	13,792
47 Other negotiable and readily transferable instruments[7]	12,765	14,633	15,267	13,275	13,671	12,796	15,267	14,621	12,942	13,351
48 Other	946	1,577	1,517	1,514	1,817	1,904	1,517	1,734	1,889	1,639
MEMO										
49 Negotiable time certificates of deposit in custody for foreigners	17,567	17,895	9,099	9,938	10,290	9,837	9,099	10,479	10,544	10,005

1. Reporting banks include all types of depository institutions as well as some brokers and dealers. Excludes bonds and notes of maturities longer than one year.
2. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
3. Includes borrowing under repurchase agreements.
4. For U.S. banks, includes amounts owed to own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts owed to the head office or parent foreign bank, and to foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.
5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks for foreign customers.
6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
8. Principally the International Bank for Reconstruction and Development, the Inter-American Development Bank, and the Asian Development Bank. Excludes "holdings of dollars" of the International Monetary Fund.
9. Foreign central banks, foreign central governments, and the Bank for International Settlements.
10. Excludes central banks, which are included in "Official institutions."

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]—Continued

Item	1993	1994	1995[r]	1995				1996		
				Sept.	Oct.	Nov.	Dec.[r]	Jan.	Feb.	Mar.[p]
AREA										
50 **Total, all foreigners**	**926,672**	**1,014,757[r]**	**1,095,493**	**1,074,402[r]**	**1,098,512**	**1,104,705**	**1,095,493**	**1,094,316[r]**	**1,096,735**	**1,096,645**
51 **Foreign countries**	**915,736**	**1,006,151[r]**	**1,084,554**	**1,061,391[r]**	**1,088,218**	**1,094,911**	**1,084,554**	**1,083,710[r]**	**1,086,252**	**1,087,169**
52 Europe	377,911	390,701[r]	362,786	362,284[r]	376,427	384,013	362,786	368,325[r]	374,048	370,550
53 Austria	1,917	3,588[r]	3,537	5,221	4,887	4,755	3,537	3,437	2,996	2,872
54 Belgium and Luxembourg	28,670	21,877[r]	24,842	24,039	25,192	28,357	24,842	24,881	27,182	25,560
55 Denmark	4,517	2,884[r]	2,921	2,640[r]	3,177	3,418	2,921	2,979	3,861	2,876
56 Finland	1,872	1,436	2,831	1,972	2,419	2,315	2,831	2,421	2,409	1,768
57 France	40,316	44,355[r]	39,204	38,117	43,134	40,415	39,204	39,697	41,099	41,355
58 Germany	26,685	27,109[r]	24,035	31,390	26,362	26,798	24,035	25,988	24,695	25,203
59 Greece	1,519	1,393	2,011	2,119	2,033	2,265	2,011	1,998	2,063	1,966
60 Italy	11,759	10,885	10,875	8,947	10,251	10,759	10,875	9,616	12,468	11,475
61 Netherlands	16,096	16,033	13,724	13,107	14,933	15,317	13,724	11,350[r]	12,173	12,789
62 Norway	2,966	2,338	1,394	1,011	1,048	1,287	1,394	1,067	1,246	1,084
63 Portugal	3,366	2,846	2,761	3,033	2,902	2,718	2,761	3,055	2,931	2,843
64 Russia	2,511	2,726[r]	7,950	6,367	7,338	8,979	7,950	7,858	9,180	9,321
65 Spain	20,496	14,675	10,012	10,100	13,467	10,809	10,012	11,838	11,589	18,976
66 Sweden	2,738	3,094	3,245	3,167	2,035	3,720	3,245	2,555	2,813	2,256
67 Switzerland	41,560	40,515[r]	43,627	41,446[r]	42,588	41,178	43,627	40,806	42,010	39,083
68 Turkey	3,227	3,341	4,124	3,936	4,067	4,010	4,124	4,350	4,559	4,103
69 United Kingdom	133,993	163,792[r]	139,127	141,577	147,448	148,384	139,127	152,654	146,985	144,129
70 Yugoslavia[11]	372	245	177	215	210	171	177	163	163	143
71 Other Europe and other former U.S.S.R.[12]	33,331	27,769	26,389	23,880	22,936	28,358	26,389	21,612	23,626	22,748
72 Canada	20,235	24,768[r]	26,363	29,052[r]	35,378	27,450	26,363	28,625	27,434	27,359
73 Latin America and Caribbean	362,238	423,797	440,216	434,333[r]	439,920	436,580	440,216	435,703[r]	421,991	433,514
74 Argentina	14,477	17,203	12,236	11,180	11,539	13,031	12,236	13,524	11,764	11,985
75 Bahamas	73,820	104,002	94,991	92,850	96,287	87,719	94,991	96,850[r]	91,203	88,081
76 Bermuda	8,117	8,424[r]	4,897	5,995[r]	6,589	6,561	4,897	4,633	4,702	5,035
77 Brazil	5,301	9,145	23,797	27,592	27,366	27,364	23,797	22,715[r]	21,761	21,462
78 British West Indies	193,699	229,546[r]	239,083	234,637[r]	236,053	240,353	239,083	233,383[r]	227,430	240,646
79 Chile	3,183	3,126	2,825	2,698	2,574	2,696	2,825	2,978	2,772	2,815
80 Colombia	3,171	4,615	3,666	3,257	3,399	3,443	3,666	3,713	3,890	3,846
81 Cuba	33	13	8	4	13	8	8	7	7	7
82 Ecuador	880	875	1,315	1,130	1,311	1,307	1,315	1,236	1,201	1,274
83 Guatemala	1,207	1,121	1,275	1,197	1,068	1,210	1,275	1,058	1,074	1,059
84 Jamaica	410	529	481	484	430	447	481	500	495	503
85 Mexico	28,019	12,250	24,555	22,069	20,894	20,993	24,555	23,643	23,899	24,532
86 Netherlands Antilles	4,686	5,217	4,672	5,003[r]	5,349	5,644	4,672	4,448	4,461	4,402
87 Panama	3,582	4,551	4,265	4,682	4,561	4,287	4,265	4,030	4,165	4,025
88 Peru	929	900	974	909	897	916	974	1,025	1,092	960
89 Uruguay	1,611	1,597	1,835	1,839	1,856	1,912	1,835	1,799	1,726	1,908
90 Venezuela	12,786	13,983	11,810	11,971	12,642	11,622	11,810	12,662	12,611	13,148
91 Other	6,327	6,700	7,531	6,836	7,092	7,067	7,531	7,499	7,738	7,826
92 Asia	144,527	154,326[r]	240,775	223,095[r]	222,967	232,222	240,775	238,175[r]	249,452	242,434
China										
93 People's Republic of China	4,011	10,066	33,750	22,273	22,341	29,875	33,750	35,733	32,200	24,430
94 Republic of China (Taiwan)	10,627	9,844	11,714	10,253	10,729	11,365	11,714	12,311	12,955	15,513
95 Hong Kong	17,132	17,102	20,304	21,865[r]	21,893	20,287	20,304	20,307	22,286	20,187
96 India	1,114	2,338	3,373	2,914	3,010	3,272	3,373	3,263	3,527	3,990
97 Indonesia	1,986	1,587	2,708	2,366	2,174	2,485	2,708	2,011	2,349	2,169
98 Israel	4,435	5,157	4,073	4,209	3,812	4,090	4,073	4,348	5,780	5,343
99 Japan	61,466	62,975[r]	109,193	104,315	104,566	105,546	109,193	106,728	113,366	117,312
100 Korea (South)	4,913	5,124	5,782	5,484	5,368	5,593	5,782	5,092[r]	5,607	5,873
101 Philippines	2,035	2,714	3,089	2,786	2,839	2,880	3,089	2,394	2,366	2,336
102 Thailand	6,137	6,466	12,279	11,803	10,458	12,144	12,279	13,121	13,389	12,158
103 Middle Eastern oil-exporting countries[13]	15,822	15,482[r]	15,582	16,895	17,350	16,238	15,582	14,417	13,491	14,235
104 Other	14,849	15,471	18,928	17,932	18,427	18,447	18,928	18,450	22,136	18,888
105 Africa	6,633	6,523	7,641	7,033	7,211	7,793	7,641	7,679	7,818	7,089
106 Egypt	2,208	1,879	2,136	2,127	1,948	1,907	2,136	1,848	2,375	2,057
107 Morocco	99	97	104	79	66	60	104	99	52	65
108 South Africa	451	433	739	467	934	1,206	739	1,217	665	411
109 Zaire	12	9	10	9	4	9	10	11	8	11
110 Oil-exporting countries[14]	1,303	1,343	1,797	1,792	1,544	1,826	1,797	1,774	1,968	1,706
111 Other	2,560	2,762	2,855	2,559	2,715	2,785	2,855	2,730	2,750	2,839
112 Other	4,192	6,036	6,773	5,594	6,315	6,853	6,773	5,203	5,509	6,223
113 Australia	3,308	5,142	5,644	4,777	5,007	5,758	5,644	4,326	4,503	5,239
114 Other	884	894	1,129	817	1,308	1,095	1,129	877	1,006	984
115 Nonmonetary international and regional organizations	10,936	8,606	10,939	13,011	10,294	9,794	10,939	10,606[r]	10,483	9,476
116 International[15]	6,851	7,537	9,200	11,279	8,458	8,470	9,200	9,623[r]	9,409	7,938
117 Latin American regional[16]	3,218	613	893	876	552	371	893	349	332	758
118 Other regional[17]	867	456	846	856	1,284	953	846	634	742	780

11. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
12. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
13. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
14. Comprises Algeria, Gabon, Libya, and Nigeria.
15. Principally the International Bank for Reconstruction and Development. Excludes "holdings of dollars" of the International Monetary Fund.
16. Principally the Inter-American Development Bank.
17. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

Area or country	1993	1994	1995	1995				1996		
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[p]
1 **Total, all foreigners**	**488,497**	**483,242**	**526,351r**	**515,573**	**522,646**	**533,906**	**526,351r**	**522,939r**	**515,575**	**525,095**
2 **Foreign countries**	**486,092**	**478,651**	**524,420r**	**512,746**	**520,988**	**532,485**	**524,420r**	**520,637r**	**513,426**	**521,292**
3 Europe	123,741	123,380	130,316	116,784	131,519	131,660	130,316	133,923	138,574	137,482
4 Austria	412	692	565	670	880	639	565	683	773	792
5 Belgium and Luxembourg	6,532	6,738	7,599	7,056	7,103	10,691	7,599	8,365	8,519	5,728
6 Denmark	382	1,129	403	572	634	602	403	541	599	398
7 Finland	594	512	1,055	1,221	1,916	1,097	1,055	1,397	1,313	1,782
8 France	11,822	12,146	14,799	13,956	14,807	15,259	14,799	12,253	13,161	13,782
9 Germany	7,724	7,608	8,864	8,691	8,081	8,431	8,864	8,072	8,774	9,260
10 Greece	691	604	449	385	404	378	449	555	603	507
11 Italy	8,834	6,043	5,364	5,921	5,530	5,390	5,364	5,010	4,838	5,850
12 Netherlands	3,063	2,959	5,051	4,696	4,592	4,909	5,051	4,305	4,722	5,553
13 Norway	396	504	665	1,392	1,457	1,376	665	1,098	1,408	1,016
14 Portugal	834	938	888	986	1,036	862	888	853	743	787
15 Russia	2,310	973	660	421	696	949	660	678	775	868
16 Spain	3,717	3,530	2,166	3,520	3,162	3,191	2,166	3,811	4,041	5,412
17 Sweden	4,254	4,098	2,060	2,700	2,642	2,362	2,060	2,315	2,151	2,056
18 Switzerland	6,605	5,746	7,074	7,246	6,335	5,925	7,074	4,613	4,016	4,841
19 Turkey	1,301	878	785	807	830	926	785	732	707	917
20 United Kingdom	62,013	66,846	67,388	54,522	69,015	66,911	67,388	75,147	78,040	73,120
21 Yugoslavia[2]	473	265	147	234	233	237	147	481	118	120
22 Other Europe and other former U.S.S.R.[3]	1,784	1,171	4,334	1,788	2,166	1,525	4,334	3,014	3,273	4,693
23 Canada	18,617	18,490	16,105r	18,811	17,820	17,010	16,105r	15,690	13,834	13,504
24 Latin America and Caribbean	225,238	223,523	257,399r	250,441	251,325	266,635	257,399r	257,146r	248,554	252,615
25 Argentina	4,474	5,844	6,439	6,110	6,003	6,090	6,439	6,185	6,057	6,224
26 Bahamas	63,353	66,410	59,258	62,796	55,788	60,030	59,258	60,284	63,311	65,617
27 Bermuda	8,901	8,481	5,718	6,012	5,537	8,096	5,718	5,011	4,742	4,833
28 Brazil	11,848	9,583	13,297	13,073	13,334	12,983	13,297	13,252	13,915	13,863
29 British West Indies	99,319	95,741	123,914	120,012	123,700	129,472	123,914	122,759	108,833	113,076
30 Chile	3,643	3,820	5,024	4,388	4,660	4,775	5,024	4,996	4,593	4,546
31 Colombia	3,181	4,004	4,550	4,358	4,593	4,516	4,550	4,622	4,492	4,547
32 Cuba	0	0	0	0	0	0	0	0	0	0
33 Ecuador	681	682	825	805	846	847	825	841	842	987
34 Guatemala	288	366	457	361	385	424	457	439	461	465
35 Jamaica	195	258	323	287	289	285	323	299	362	331
36 Mexico	15,879	17,749	18,028	16,990	16,657	16,826	18,028	17,114	17,167	16,957
37 Netherlands Antilles	2,683	1,396	9,229	5,533	9,233	12,048	9,229	11,043	12,973	10,902
38 Panama	2,894	2,198	3,018r	2,594	2,846	3,049	3,018r	2,845r	2,820	2,611
39 Peru	657	997	1,829	1,464	1,501	1,577	1,829	1,762	1,928	1,935
40 Uruguay	969	503	466	386	441	434	466	422	463	623
41 Venezuela	2,910	1,831	1,661	1,480	1,826	1,695	1,661	1,575	1,572	1,557
42 Other	3,363	3,660	3,363	3,792	3,686	3,488	3,363	3,697	4,023	3,541
43 Asia	111,775	107,079	115,406r	120,225	114,575	111,443	115,406r	108,989r	106,987	111,142
China										
44 People's Republic of China	2,271	836	1,023	1,316	1,241	1,069	1,023	1,014	1,351	2,439
45 Republic of China (Taiwan)	2,625	1,448	1,713	1,584	1,595	1,484	1,713	1,407	1,404	1,729
46 Hong Kong	10,828	9,161	12,895	15,677	12,539	10,713	12,895	13,254	13,867	15,545
47 India	589	994	1,846	1,944	1,924	1,823	1,846	1,864	1,859	1,869
48 Indonesia	1,527	1,470	1,678	1,596	1,623	1,583	1,678	1,458	1,478	1,599
49 Israel	826	688	739	714	886	728	739	668	683	665
50 Japan	60,032	59,151	61,308	63,075	61,878	60,522	61,308	55,897	55,077	52,665
51 Korea (South)	7,539	10,286	14,136r	12,992	13,357	14,115	14,136r	14,501r	15,454	17,240
52 Philippines	1,410	662	1,350	725	673	789	1,350	814	779	1,202
53 Thailand	2,170	2,902	2,597r	2,594	2,568	2,538	2,597r	2,397r	3,256	3,051
54 Middle Eastern oil-exporting countries[4]	15,115	13,748	9,639	11,723	9,963	9,604	9,639	8,053	6,410	7,145
55 Other	6,843	5,733	6,482r	6,285	6,328	6,475	6,482r	7,662	5,369	5,993
56 Africa	3,861	3,050	2,727	2,705	2,783	2,732	2,727	2,798	2,879	2,884
57 Egypt	196	225	210	202	224	268	210	208	237	247
58 Morocco	481	429	514	647	457	433	514	514	561	585
59 South Africa	633	671	465	454	604	462	465	483	520	567
60 Zaire	4	2	1	2	1	1	1	1	1	1
61 Oil-exporting countries[5]	1,129	856	552	615	586	578	552	589	526	516
62 Other	1,418	867	985	785	911	990	985	1,003	1,034	968
63 Other	2,860	3,129	2,467	3,780	2,966	3,005	2,467	2,091	2,598	3,665
64 Australia	2,037	2,186	1,622	2,639	2,095	1,969	1,622	1,822	2,243	2,645
65 Other	823	943	845	1,141	871	1,036	845	269	355	1,020
66 Nonmonetary international and regional organizations[6]	2,405	4,591	1,931	2,827	1,658	1,421	1,931	2,302r	2,149	3,803

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.
2. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
3. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Excludes the Bank for International Settlements, which is included in "Other Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1993	1994	1995[r]	1995				1996		
				Sept.	Oct.	Nov.	Dec.[r]	Jan.[r]	Feb.	Mar.[p]
1 **Total**	**575,613**	**599,521[r]**	**649,118**	**645,193**	...	...	**649,118**	...	...	...
2 Banks' claims	488,497	483,242	526,351	515,573	522,646	533,906	526,351	522,939	515,575	525,095
3 Foreign public borrowers	29,228	23,416	22,500	22,439	20,863	19,351	22,500	23,133	23,710	27,622
4 Own foreign offices[2]	285,510	283,183	303,902	298,241	303,573	308,664	303,902	300,730	290,689	293,250
5 Unaffiliated foreign banks	100,865	109,228	98,700	107,532	103,949	99,555	98,700	97,238	98,137	101,568
6 Deposits	49,892	59,250	37,343	50,767	47,103	42,905	37,343	35,520	37,565	41,441
7 Other	50,973	49,978	61,357	56,765	56,846	56,650	61,357	61,718	60,572	60,127
8 All other foreigners	72,894	67,415	101,249	87,361	94,261	106,336	101,249	101,838	103,039	102,655
9 Claims of banks' domestic customers[3]	87,116	116,279[r]	122,767	129,620	...	...	122,767	...	...	...
10 Deposits	41,734	64,829	57,529	66,067	...	...	57,529	...	...	...
11 Negotiable and readily transferable instruments[4]	31,186	36,008	45,265	45,190	...	...	45,265	...	...	...
12 Outstanding collections and other claims	14,196	15,442[r]	19,973	18,363	...	...	19,973	...	...	...
MEMO										
13 Customer liability on acceptances	7,918	8,427	8,379	8,821	...	...	8,379	...	...	...
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	29,150	32,796	30,717	35,041	33,828	31,355	30,717	27,793	32,749	n.a.

1. For banks' claims, data are monthly; for claims of banks' domestic customers, data are for quarter ending with month indicated.
Reporting banks include all types of depository institution as well as some brokers and dealers.
2. For U.S. banks, includes amounts due from own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts due from the head office or parent foreign bank, and from foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.
3. Assets held by reporting banks in the accounts of their domestic customers.
4. Principally negotiable time certificates of deposit, bankers acceptances, and commercial paper.
5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Maturity, by borrower and area[2]	1992	1993	1994[r]	1995[r]			
				Mar.	June	Sept.	Dec.
1 **Total**	**195,119**	**202,566**	**200,042**	**200,864**	**220,180**	**216,976**	**222,347**
By borrower							
2 Maturity of one year or less	163,325	172,662	168,331	165,891	186,312	178,666	176,343
3 Foreign public borrowers	17,813	17,828	15,435	15,482	15,817	14,177	14,993
4 All other foreigners	145,512	154,834	152,896	150,409	170,495	164,489	161,350
5 Maturity of more than one year	31,794	29,904	31,711	34,973	33,868	38,310	46,004
6 Foreign public borrowers	13,266	10,874	7,838	8,150	7,892	8,220	7,506
7 All other foreigners	18,528	19,030	23,873	26,823	25,976	30,090	38,498
By area							
Maturity of one year or less							
8 Europe	53,300	57,413	55,742	53,070	60,323	52,045	54,044
9 Canada	6,091	7,727	6,690	6,878	7,838	7,135	6,089
10 Latin America and Caribbean	50,376	60,490	58,877	61,946	68,630	71,319	72,397
11 Asia	45,709	41,418	39,851	37,605	43,945	42,536	40,152
12 Africa	1,784	1,820	1,376	1,227	1,447	1,261	1,272
13 All other[3]	6,065	3,794	5,795	5,165	4,129	4,370	2,389
Maturity of more than one year							
14 Europe	5,367	5,310	4,203	5,626	4,240	4,594	4,737
15 Canada	3,287	2,581	3,505	4,005	3,685	3,581	2,741
16 Latin America and Caribbean	15,312	14,025	15,717	15,624	17,557	20,224	27,807
17 Asia	5,038	5,606	5,318	7,261	5,949	7,373	8,004
18 Africa	2,380	1,935	1,583	1,610	1,389	1,389	1,429
19 All other[3]	410	447	1,385	847	1,048	1,149	1,286

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.
2. Maturity is time remaining until maturity.
3. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. and Foreign Offices of U.S. Banks[1]

Billions of dollars, end of period

Area or country	1991	1992	1993	1994				1995			
			Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.
1 **Total**	**343.5**	**344.7**	**407.7**	**476.8**	**486.1**	**486.4**	**496.6**	**539.7**	**524.0**	**524.5**	**549.1**
2 G-10 countries and Switzerland	137.5	131.3	161.8	178.4	173.3	182.6	190.6	208.7	200.5	195.5	200.3
3 Belgium and Luxembourg	6.0r	5.6	7.4	8.0	8.6	9.6	7.0	8.3	7.3	8.5	12.1
4 France	11.3	15.3	12.0	16.6	18.6	20.7	19.1	19.8	19.3	17.5	19.2
5 Germany	8.3	9.1	12.6	29.7	24.7	24.0	24.7	31.2	29.9	28.6	26.9
6 Italy	5.6	6.5	7.7	15.6	14.0	11.6	11.8	10.6	10.7	12.6	11.5
7 Netherlands	4.7r	2.8	4.7	3.8	3.4	3.4	3.6	3.5	4.3	3.9	3.3
8 Sweden	1.9	2.3	2.7	2.9	3.0	2.6	2.7	3.1	3.0	2.7	2.7
9 Switzerland	3.4	4.8	5.9	4.5	5.4	5.5	5.1	5.7	6.2	6.0	6.1
10 United Kingdom	68.4	59.7	84.3	69.9	64.9	78.4	85.7	89.9	86.7	79.8	80.7
11 Canada	5.8	6.3	6.9	7.8	9.9	10.2	10.0	10.5	11.1	11.9	9.4
12 Japan	22.2	18.8	17.6	19.6	20.7	16.5	20.7	25.9	22.1	24.0	28.5
13 Other industrialized countries	22.8	24.0	25.6	42.2	42.6	42.6	45.2	44.0	43.3	49.8	50.0
14 Austria	.6	1.2	.4	1.0	1.0	1.0	1.1	.9	.7	1.2	.9
15 Denmark	.9	.9	1.0	1.1	1.1	1.0	1.3	1.7	1.1	1.8	2.6
16 Finland	.7	.7	.4	1.0	.8	.8	.9	1.1	.5	.7	.8
17 Greece	2.6	3.0	3.2	3.8	4.6	4.3	4.5	4.9	5.0	5.1	5.7
18 Norway	1.4	1.2	1.7	1.6	1.6	1.6	2.0	2.4	1.8	2.3	3.2
19 Portugal	.6	.4	.8	1.2	1.1	1.0	1.2	1.0	1.2	1.7	1.1
20 Spain	8.3	8.9	9.9	13.2	12.6	14.0	13.6	14.1	13.3	13.3	11.6
21 Turkey	1.4	1.3	2.1	2.4	2.1	1.8	1.6	1.4	1.4	2.0	1.9
22 Other Western Europe	1.8	1.7	2.6	3.1	2.8	1.0	2.7	2.5	2.6	3.0	4.7
23 South Africa	1.9	1.7	1.1	1.2	1.2	1.2	1.0	1.5	1.4	1.3	1.2
24 Australia	2.7	2.9	2.3	12.7	13.7	15.0	15.4	12.6	14.3	17.4	16.4
25 OPEC[2]	14.5	15.8	17.4	22.9	21.6	21.7	23.9	19.5	20.3	22.3	22.3
26 Ecuador	.7	.6	.5	.6	.5	.4	.5	.5	.7	.7	.7
27 Venezuela	5.4	5.2	5.1	4.6	4.4	3.9	3.7	3.5	3.5	3.0	2.7
28 Indonesia	2.7	2.7	3.3	3.4	3.2	3.3	3.8	4.0	4.1	4.4	5.0
29 Middle East countries	4.2	6.2	7.4	13.2	12.4	13.0	15.0	10.7	11.4	13.5	13.3
30 African countries	1.5	1.1	1.2	1.1	1.1	1.1	.9	.7	.6	.6	.6
31 Non-OPEC developing countries	64.3	72.6	83.1	94.7	94.8	93.2	96.0	98.5	103.6	103.6	112.0
Latin America											
32 Argentina	4.8	6.6	7.7	8.7	9.8	10.5	11.2	11.4	12.3	10.9	12.9
33 Brazil	9.6	10.8	12.0	12.7	12.0	9.3	8.4	9.2	10.0	13.1	13.1
34 Chile	3.6	4.4	4.7	5.1	5.1	5.5	6.1	6.4	7.1	6.4	6.8
35 Colombia	1.7	1.8	2.1	2.2	2.4	2.4	2.6	2.6	2.6	2.9	2.9
36 Mexico	15.5	16.0	17.8	19.0	18.6	19.8	18.4	17.8	17.6	16.3	17.3
37 Peru	.4	.5	.4	.6	.6	.6	.5	.6	.8	.7	.8
38 Other	2.1	2.6	3.1	2.9	2.7	2.8	2.7	2.4	2.6	2.6	2.8
Asia											
China											
39 People's Republic of China	.3	.7	2.0	.8	.8	1.0	1.1	1.1	1.4	1.7	1.8
40 Republic of China (Taiwan)	4.1	5.2	7.3	7.6	7.1	6.9	9.2	8.5	9.0	9.0	9.4
41 India	3.0	3.2	3.2	3.4	3.7	3.9	4.2	3.8	4.0	4.4	4.4
42 Israel	.5	.4	.5	.4	.4	.4	.4	.6	.7	.5	.5
43 Korea (South)	6.8	6.6	6.7	14.1	14.3	14.4	16.2	16.9	18.7	18.0	19.1
44 Malaysia	2.3	3.1	4.4	5.2	5.2	3.9	3.1	3.9	4.1	4.3	4.4
45 Philippines	3.7	3.6	3.1	3.4	3.2	2.9	3.3	3.0	3.6	3.3	4.1
46 Thailand	1.7	2.2	3.1	3.0	3.3	3.5	2.1	3.3	3.8	3.9	4.9
47 Other Asia	2.4	3.1	3.1	3.1	3.2	3.4	4.7	4.9	3.5	3.7	4.5
Africa											
48 Egypt	.4	.2	.4	.4	.5	.3	.3	.4	.4	.4	.4
49 Morocco	.7	.6	.7	.8	.7	.7	.6	.6	.9	.9	.7
50 Zaire	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
51 Other Africa[3]	.7	1.0	.8	1.1	1.0	.9	.8	.7	.6	.7	.9
52 Eastern Europe	2.4	3.1	3.2	3.8	3.2	3.0	2.7	2.3	1.8	3.4	4.2
53 Russia[4]	.9	1.9	1.6	1.6	1.3	1.1	.8	.7	.4	.6	1.0
54 Yugoslavia[5]	.9	.6	.6	.5	.5	.5	.5	.4	.3	.4	.3
55 Other	.7	.6	.9	1.6	1.4	1.5	1.4	1.2	1.0	2.3	2.8
56 Offshore banking centers	53.8	58.1	73.0	78.6	80.6	77.2	71.4	84.4	82.1	86.0	103.0
57 Bahamas	11.9	6.9	10.9	13.7	13.3	13.8	10.3	12.5	8.4	12.6	15.0
58 Bermuda	2.3	6.2	8.9	8.8	6.5	6.0	8.4	8.6	8.3	6.1	6.3
59 Cayman Islands and other British West Indies	15.5	21.5	18.0	17.8	23.8	21.5	19.9	19.4	23.7	23.4	32.1
60 Netherlands Antilles	1.2	1.1	2.6	3.4	2.5	1.7	1.3	.9	2.4	5.5	9.9
61 Panama[6]	1.4	1.9	2.4	2.0	2.0	1.9	1.3	1.1	1.3	1.3	1.4
62 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	14.3	13.9	18.7	19.7	21.8	20.3	19.9	22.5	23.1	23.7	25.1
64 Singapore	7.1	6.5	11.2	13.0	10.6	11.8	10.1	19.2	14.8	13.3	13.1
65 Other[7]	.0	.0	.1	.0	.0	.0	.1	.0	.0	.1	.1
66 Miscellaneous and unallocated[8]	47.9	39.7	43.4	55.9	69.7	65.8	66.7	82.0	72.1	63.7	57.0

1. The banking offices covered by these data include U.S. offices and foreign branches of U.S. banks, including U.S. banks that are subsidiaries of foreign banks. Offices not covered include U.S. agencies and branches of foreign banks. Beginning March 1994, the data include large foreign subsidiaries of U.S. banks. The data also include other types of U.S. depository institutions as well as some types of brokers and dealers. To eliminate duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution.

These data are on a gross claims basis and do not necessarily reflect the ultimate country risk or exposure of U.S. banks. More complete data on the country risk exposure of U.S. banks are available in the quarterly Country Exposure Lending Survey published by the Federal Financial Institutions Examination Council.

2. Organization of Petroleum Exporting Countries, shown individually; other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates); and Bahrain and Oman (not formally members of OPEC).
3. Excludes Liberia. Beginning March 1994 includes Namibia.
4. As of December 1992, excludes other republics of the former Soviet Union.
5. As of December 1992, excludes Croatia, Bosnia and Hercegovinia, and Slovenia.
6. Includes Canal Zone.
7. Foreign branch claims only.
8. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States

Millions of dollars, end of period

Type of liability, and area or country	1992	1993	1994	1994		1995			
				Sept.	Dec.	Mar.	June	Sept.	Dec.[p]
1 **Total**	**45,511**	**50,597**	**54,309**	**57,630**	**54,309**	**50,187**	**49,973**	**47,673**	**46,494**
2 Payable in dollars	37,456	38,728	38,298	41,879	38,298	35,903	34,281	33,908	33,949
3 Payable in foreign currencies	8,055	11,869	16,011	15,751	16,011	14,284	15,692	13,765	12,545
By type									
4 Financial liabilities	23,841	29,226	32,954	36,440	32,954	29,775	29,282	26,237	24,287
5 Payable in dollars	16,960	18,545	18,818	22,558	18,818	16,704	15,028	13,872	12,949
6 Payable in foreign currencies	6,881	10,681	14,136	13,882	14,136	13,071	14,254	12,365	11,338
7 Commercial liabilities	21,670	21,371	21,355	21,190	21,355	20,412	20,691	21,436	22,207
8 Trade payables	9,566	8,802	10,005	9,550	10,005	9,844	10,527	10,061	11,013
9 Advance receipts and other liabilities	12,104	12,569	11,350	11,640	11,350	10,568	10,164	11,375	11,194
10 Payable in dollars	20,496	20,183	19,480	19,321	19,480	19,199	19,253	20,036	21,000
11 Payable in foreign currencies	1,174	1,188	1,875	1,869	1,875	1,213	1,438	1,400	1,207
By area or country									
Financial liabilities									
12 Europe	13,387	18,810	21,703	25,288	21,703	17,541	18,223	16,401	15,622
13 Belgium and Luxembourg	414	175	495	661	495	612	778	347	369
14 France	1,623	2,539	1,727	2,241	1,727	2,046	1,101	1,365	999
15 Germany	889	975	1,961	1,467	1,961	1,755	1,589	1,670	1,974
16 Netherlands	606	534	552	648	552	633	530	474	466
17 Switzerland	569	634	688	633	688	883	1,056	948	895
18 United Kingdom	8,610	13,332	15,543	18,323	15,543	10,764	12,138	10,518	10,138
19 Canada	544	859	629	618	629	1,817	893	797	632
20 Latin America and Caribbean	4,053	3,359	2,034	1,977	2,034	2,065	1,950	1,904	1,829
21 Bahamas	379	1,148	101	121	101	135	81	79	68
22 Bermuda	114	0	80	15	80	149	138	144	152
23 Brazil	19	18	207	7	207	58	58	111	57
24 British West Indies	2,850	1,533	998	1,173	998	1,068	1,030	930	898
25 Mexico	12	17	0	15	0	10	3	3	12
26 Venezuela	6	5	5	5	5	5	4	3	2
27 Asia	5,818	5,956	8,403	8,405	8,403	8,156	8,023	6,947	5,988
28 Japan	4,750	4,887	7,314	7,248	7,314	7,182	7,141	6,308	5,436
29 Middle Eastern oil-exporting countries[1]	19	23	35	31	35	27	25	25	27
30 Africa	6	133	135	133	135	156	151	149	150
31 Oil-exporting countries[2]	0	123	123	123	123	122	122	122	122
32 All other[3]	33	109	50	19	50	40	42	39	66
Commercial liabilities									
33 Europe	7,398	6,827	6,773	6,868	6,773	6,642	6,776	7,263	7,700
34 Belgium and Luxembourg	298	239	241	287	241	271	311	349	331
35 France	700	655	728	744	728	642	504	528	481
36 Germany	729	684	604	552	604	482	556	660	767
37 Netherlands	535	688	722	674	722	536	448	566	500
38 Switzerland	350	375	327	391	327	327	432	255	413
39 United Kingdom	2,505	2,039	2,444	2,350	2,444	2,848	2,902	3,351	3,568
40 Canada	1,002	879	1,037	1,068	1,037	1,235	1,146	1,219	1,040
41 Latin America and Caribbean	1,533	1,658	1,857	1,783	1,857	1,368	1,836	1,607	1,740
42 Bahamas	3	21	19	6	19	8	3	1	1
43 Bermuda	307	350	345	200	345	260	397	219	205
44 Brazil	209	214	161	147	161	96	107	143	98
45 British West Indies	33	27	23	33	23	29	12	5	56
46 Mexico	457	481	574	672	574	356	420	357	416
47 Venezuela	142	123	276	189	276	273	204	175	221
48 Asia	10,594	10,980	10,741	10,370	10,741	10,151	9,978	10,275	10,421
49 Japan	3,612	4,314	4,555	4,128	4,555	4,110	3,531	3,475	3,315
50 Middle Eastern oil-exporting countries[1]	1,889	1,534	1,576	1,663	1,576	1,787	1,790	1,647	1,912
51 Africa	568	453	428	468	428	463	481	589	619
52 Oil-exporting countries[2]	309	167	256	264	256	248	252	241	254
53 Other[3]	575	574	519	633	519	553	474	483	687

1. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Comprises Algeria, Gabon, Libya, and Nigeria.

3. Includes nonmonetary international and regional organizations.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States

Millions of dollars, end of period

Type of claim, and area or country	1992	1993	1994	1994		1995			
				Sept.	Dec.	Mar.	June	Sept.	Dec.p
1 **Total**	**45,073**	**49,159**	**57,888**	**54,833**	**57,888**	**52,218**	**58,051**	**53,424**	**52,483**
2 Payable in dollars	42,281	45,161	53,805	50,460	53,805	48,425	54,138	49,696	48,687
3 Payable in foreign currencies	2,792	3,998	4,083	4,373	4,083	3,793	3,913	3,728	3,796
By type									
4 Financial claims	26,509	27,771	33,897	32,236	33,897	29,606	34,574	29,891	27,398
5 Deposits	17,695	15,717	18,507	19,118	18,507	17,115	22,046	17,974	15,133
6 Payable in dollars	16,872	15,182	18,026	18,502	18,026	16,458	21,351	17,393	14,654
7 Payable in foreign currencies	823	535	481	616	481	657	695	581	479
8 Other financial claims	8,814	12,054	15,390	13,118	15,390	12,491	12,528	11,917	12,265
9 Payable in dollars	7,890	10,862	14,306	11,903	14,306	11,275	11,370	10,689	10,976
10 Payable in foreign currencies	924	1,192	1,084	1,215	1,084	1,216	1,158	1,228	1,289
11 Commercial claims	18,564	21,388	23,991	22,597	23,991	22,612	23,477	23,533	25,085
12 Trade receivables	16,007	18,425	21,158	19,825	21,158	20,415	21,326	21,409	22,973
13 Advance payments and other claims	2,557	2,963	2,833	2,772	2,833	2,197	2,151	2,124	2,112
14 Payable in dollars	17,519	19,117	21,473	20,055	21,473	20,692	21,417	21,614	23,057
15 Payable in foreign currencies	1,045	2,271	2,518	2,542	2,518	1,920	2,060	1,919	2,028
By area or country									
Financial claims									
16 Europe	9,331	7,299	7,936	8,914	7,936	7,630	7,927	7,840	7,609
17 Belgium and Luxembourg	8	134	86	115	86	146	155	160	193
18 France	764	826	800	931	800	808	730	753	803
19 Germany	326	526	540	413	540	527	356	301	436
20 Netherlands	515	502	429	503	429	606	601	522	517
21 Switzerland	490	530	523	777	523	490	514	530	498
22 United Kingdom	6,252	3,585	4,649	5,023	4,649	4,040	4,790	4,924	4,303
23 Canada	1,833	2,032	3,581	3,812	3,581	3,848	3,705	3,526	2,851
24 Latin America and Caribbean	13,893	16,224	19,536	16,608	19,536	16,109	21,159	15,345	14,500
25 Bahamas	778	1,336	2,424	1,121	2,424	940	2,355	1,552	1,965
26 Bermuda	40	125	27	52	27	37	85	35	81
27 Brazil	686	654	520	411	520	528	502	851	830
28 British West Indies	11,747	12,699	15,228	13,694	15,228	13,531	17,013	11,816	10,393
29 Mexico	445	872	723	691	723	583	635	487	554
30 Venezuela	29	161	35	31	35	27	27	50	32
31 Asia	864	1,657	1,871	2,176	1,871	1,504	1,235	2,160	1,579
32 Japan	668	892	953	661	953	621	471	1,404	871
33 Middle Eastern oil-exporting countries[1]	3	3	141	19	141	4	3	4	3
34 Africa	83	99	373	197	373	141	138	188	276
35 Oil-exporting countries[2]	9	1	0	0	0	9	9	6	5
36 All other[3]	505	460	600	529	600	374	410	832	583
Commercial claims									
37 Europe	8,451	9,105	9,540	8,810	9,540	8,947	9,200	8,862	9,822
38 Belgium and Luxembourg	189	184	213	178	213	199	218	224	231
39 France	1,537	1,947	1,881	1,766	1,881	1,790	1,669	1,706	1,830
40 Germany	933	1,018	1,027	883	1,027	977	1,023	997	1,070
41 Netherlands	552	423	311	331	311	324	341	338	452
42 Switzerland	362	432	557	538	557	556	612	438	520
43 United Kingdom	2,094	2,377	2,556	2,505	2,556	2,388	2,469	2,479	2,655
44 Canada	1,286	1,781	1,988	1,906	1,988	2,010	2,003	1,971	1,950
45 Latin America and Caribbean	3,043	3,274	4,117	3,963	4,117	4,140	4,370	4,359	4,348
46 Bahamas	28	11	9	34	9	17	21	26	30
47 Bermuda	255	182	234	246	234	208	210	245	272
48 Brazil	357	460	612	471	612	695	777	745	897
49 British West Indies	40	71	83	49	83	55	83	66	79
50 Mexico	924	990	1,243	1,137	1,243	1,106	1,109	1,026	985
51 Venezuela	345	293	348	388	348	295	319	325	285
52 Asia	4,866	6,014	6,982	6,679	6,982	6,200	6,516	6,826	7,307
53 Japan	1,903	2,275	2,655	2,591	2,655	1,911	2,011	1,998	1,868
54 Middle Eastern oil-exporting countries[1]	693	704	708	617	708	689	707	775	974
55 Africa	554	493	454	447	454	468	478	544	654
56 Oil-exporting countries[2]	78	72	67	61	67	71	60	74	87
57 Other[3]	364	721	910	792	910	847	910	971	1,004

1. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
2. Comprises Algeria, Gabon, Libya, and Nigeria.
3. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transaction, and area or country	1994	1995	1996	1995				1996		
			Jan.–Mar.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.p
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	350,593	462,884	150,400	44,450	41,492	41,937	46,479	43,574	52,262	54,564
2 Foreign sales	348,716	451,709	146,719	44,218	42,860	39,071	44,372	41,948	51,091	53,680
3 **Net purchases, or sales (−)**	**1,877**	**11,175**	**3,681**	**232**	**−1,368**	**2,866**	**2,107**	**1,626**	**1,171**	**884**
4 **Foreign countries**	**1,867**	**11,380**	**3,853**	**295**	**−1,328**	**2,877**	**2,109**	**1,623**	**1,300**	**930**
5 Europe	6,714	4,847	2,330	−1,319	1,647	954	1,028	1,954	−1,072	1,448
6 France	−201	−1,099	671	−126	−54	−58	−382	164	−161	668
7 Germany	2,110	−1,837	298	−136	5	−131	−11	239	−37	96
8 Netherlands	2,251	3,507	898	197	528	230	373	660	20	218
9 Switzerland	−30	−2,283	784	9	449	227	191	639	−441	586
10 United Kingdom	840	8,001	−628	−1,114	878	543	1,277	−165	−223	−240
11 Canada	−1,160	−1,517	1,082	−197	−74	405	−175	645	518	−81
12 Latin America and Caribbean	−2,111	5,814	1,859	752	−2,920	1,361	219	−487	2,688	−342
13 Middle East[1]	−1,142	−337	−826	−77	−8	−63	148	−507	−285	−34
14 Other Asia	−1,234	2,503	−669	1,048	61	342	883	−40	−336	−293
15 Japan	1,162	−2,725	−789	−598	56	−406	1,231	94	−131	−752
16 Africa	29	2	−100	34	−17	−26	−1	6	−62	−44
17 Other countries	771	68	177	54	−17	−96	7	52	−151	276
18 **Nonmonetary international and regional organizations**	**10**	**−205**	**−172**	**−63**	**−40**	**−11**	**−2**	**3**	**−129**	**−46**
BONDS[2]										
19 Foreign purchases	289,586	293,030	98,526	28,187	26,424	31,642	21,698	26,591r	32,759	39,176
20 Foreign sales	229,665	206,951	66,414	17,759	19,199	20,741	21,117	17,726	23,608	25,080
21 **Net purchases, or sales (−)**	**59,921**	**86,079**	**32,112**	**10,428**	**7,225**	**10,901**	**581**	**8,865r**	**9,151**	**14,096**
22 **Foreign countries**	**59,036**	**86,533**	**32,061**	**10,406**	**7,293**	**10,948**	**553**	**8,823r**	**9,230**	**14,008**
23 Europe	37,065	69,815	20,473	7,934	6,418	9,759	1,309	5,624r	8,968	5,881
24 France	242	1,143	1,823	63	732	101	137	839	314	670
25 Germany	657	5,806	2,234	916	113	894	236	−26	1,859	401
26 Netherlands	3,322	1,463	496	203	204	219	101	156	365	−25
27 Switzerland	1,055	494	−70	343	148	101	−381	56	−86	−40
28 United Kingdom	31,642	57,220	14,311	5,486	4,599	6,999	925	3,854r	6,280	4,177
29 Canada	2,958	2,569	482	349	139	20	181	104	235	143
30 Latin America and Caribbean	5,442	6,141	8,519	1,719	−61	1,426	−848	2,096	−713	7,136
31 Middle East[1]	771	1,869	−515	241	−246	188	187	−194	−334	13
32 Other Asia	12,153	5,659	3,264	139	1,126	−705	−293	1,272	1,161	831
33 Japan	5,486	2,250	919	−371	645	−899	−904	338	336	245
34 Africa	−7	234	−16	23	−223	240	86	−16	−40	40
35 Other countries	654	246	−146	1	140	20	−69	−63	−47	−36
36 **Nonmonetary international and regional organizations**	**885**	**−454**	**51**	**22**	**−68**	**−47**	**28**	**42**	**−79**	**88**
	Foreign securities									
37 Stocks, net purchases, or sales (−)	−48,071	−50,786	−22,240	−7,959	−5,769	−1,725	−6,830	−6,432	−5,490	−10,318
38 Foreign purchases	386,106	345,498	106,636	28,712	29,382	30,307	32,366	33,481	37,407	35,748
39 Foreign sales	434,177	396,284	128,876	36,671	35,151	32,032	39,196	39,913	42,897	46,066
40 Bonds, net purchases, or sales (−)	−9,224	−47,159	−11,347	−5,483	−7,580	−6,235	−3,923	−4,472r	−1,304	−5,571
41 Foreign purchases	848,368	889,143	272,825	81,022	76,889	78,563	80,310	84,508	95,095	93,222
42 Foreign sales	857,592	936,302	284,172	86,505	84,469	84,798	84,233	88,980r	96,399	98,793
43 **Net purchases, or sales (−), of stocks and bonds**	**−57,295**	**−97,945**	**−33,587**	**−13,442**	**−13,349**	**−7,960**	**−10,753**	**−10,904r**	**−6,794**	**−15,889**
44 **Foreign countries**	**−57,815**	**−97,140**	**−33,497**	**−13,497**	**−13,240**	**−7,882**	**−10,812**	**−10,935r**	**−6,669**	**−15,893**
45 Europe	−3,516	−47,905	−10,648	−2,928	−7,249	−4,609	−6,033	−3,973r	−2,279	−4,396
46 Canada	−7,475	−7,871	−4,212	−3,471	1,311	−494	−14	−2,649	−60	−1,503
47 Latin America and Caribbean	−18,334	−7,071	−3,592	781	−3,883	−184	−802	−3	−1,025	−2,564
48 Asia	−24,275	−34,049	−12,996	−7,810	−2,511	−2,001	−4,389	−4,685	−2,557	−5,754
49 Japan	−17,427	−25,070	−8,244	−5,637	−849	−1,388	−3,685	−3,427	−1,592	−3,225
50 Africa	−467	−327	−693	−117	5	19	−44	−96	−161	−436
51 Other countries	−3,748	83	−1,356	48	−913	−613	470	471	−587	−1,240
52 **Nonmonetary international and regional organizations**	**520**	**−805**	**−90**	**55**	**−109**	**−78**	**59**	**31**	**−125**	**4**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Includes state and local government securities and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions[1]

Millions of dollars; net purchases, or sales (−) during period

Area or country	1994	1995	1996	1995				1996		
			Jan.–Mar.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.p
1 **Total estimated**	**78,801**	**133,991**	**36,399**	**−11,072**	**4,819**	**15,307**	**−9,454**	**14,008**	**15,451**	**6,940**
2 Foreign countries	78,637	133,552	36,224	−11,002	4,650	14,936	−9,016	13,703	16,192	6,329
3 Europe	38,542	50,000	19,737	6,377	−4,608	821	−1,120	7,281	8,462	3,994
4 Belgium and Luxembourg	1,098	591	110	143	−25	81	171	149	−120	81
5 Germany	5,709	6,136	4,170	2,568	2,831	52	452	1,385	1,829	956
6 Netherlands	1,254	1,891	−535	−1,915	160	833	381	807	354	−1,696
7 Sweden	794	358	1,130	61	92	−30	−285	−45	803	372
8 Switzerland	481	−472	225	818	174	−568	−664	76	84	65
9 United Kingdom	23,365	34,778	5,093	5,570	−5,965	1,309	−4,377	1,167	1,644	2,282
10 Other Europe and former U.S.S.R.	5,841	6,718	9,544	−868	−1,875	−856	3,202	3,742	3,868	1,934
11 Canada	3,491	252	3,765	−2,284	−1,864	−43	208	1,867	1,863	35
12 Latin America and Caribbean	−10,383	48,609	−10,560	−5,299	17,453	13,496	3,762	−2,648	−2,931	−4,981
13 Venezuela	−319	−2	−279	−524	−92	232	61	−142	−93	−44
14 Other Latin America and Caribbean	−20,493	25,152	4,334	1,171	3,033	3,723	4,710	8,922	−1,896	−2,692
15 Netherlands Antilles	10,429	23,459	−14,615	−5,946	14,512	9,541	−1,009	−11,428	−942	−2,245
16 Asia	47,317	32,319	22,477	−10,055	−6,879	−107	−11,843	6,920	8,616	6,941
17 Japan	29,793	16,863	8,131	−4,021	−10,115	1,316	−5,695	2,619	3,069	2,443
18 Africa	240	1,464	726	108	501	458	252	515	−100	311
19 Other	−570	908	79	151	47	311	−275	−232	282	29
20 Nonmonetary international and regional organizations	164	439	175	−70	169	371	−438	305	−741	611
21 International	526	9	549	−196	2	368	−347	210	−308	647
22 Latin American regional	−154	261	−287	−6	185	−43	−115	−45	−254	12
MEMO										
23 Foreign countries	78,637	133,552	36,224	−11,002	4,650	14,936	−9,016	13,703	16,192	6,329
24 Official institutions	41,822	39,625	26,044	−4,525	5,705	−915	2,651	12,615	8,681	4,748
25 Other foreign	36,815	93,927	10,180	−6,477	−1,055	15,851	−11,667	1,088	7,511	1,581
Oil-exporting countries										
26 Middle East[2]	−38	3,075	591	−50	−624	−826	−1,085	−658	122	1,127
27 Africa[3]	0	2	1	0	0	0	0	0	1	0

1. Official and private transactions in marketable U.S. Treasury securities having an original maturity of more than one year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

3. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS[1]

Percent per year, averages of daily figures

Country	Rate on May 31, 1996		Country	Rate on May 31, 1996	
	Percent	Month effective		Percent	Month effective
Austria	2.5	Apr. 1996	Germany	2.5	Apr. 1996
Belgium	2.5	Apr. 1995	Italy	9.0	June 1995
Canada	5.0	Apr. 1996	Japan	.5	Sept. 1995
Denmark	3.25	Apr. 1996	Netherlands	2.5	Apr. 1996
France[2]	3.7	Apr. 1996	Switzerland	1.5	Dec. 1995

1. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper or government securities for commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood that the central bank transacts the largest proportion of its credit operations.

2. Since February 1981, the rate has been that at which the Bank of France discounts Treasury bills for seven to ten days.

3.27 FOREIGN SHORT-TERM INTEREST RATES[1]

Percent per year, averages of daily figures

Type or country	1993	1994	1995	1995		1996				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
1 Eurodollars	3.18	4.63	5.93	5.75	5.64	5.40	5.14	5.28	5.36	5.36
2 United Kingdom	5.88	5.45	6.63	6.61	6.42	6.31	6.13	6.02	5.97	6.03
3 Canada	5.14	5.57	7.14	6.02	5.91	5.58	5.22	5.23	5.03	4.82
4 Germany	7.17	5.25	4.43	3.91	3.82	3.51	3.26	3.25	3.22	3.19
5 Switzerland	4.79	4.03	2.94	1.98	1.94	1.65	1.61	1.68	1.68	1.99
6 Netherlands	6.73	5.09	4.30	3.73	3.58	3.20	3.00	3.09	2.83	2.61
7 France	8.30	5.72	6.43	5.74	5.47	4.56	4.29	4.14	3.87	3.78
8 Italy	10.09	8.45	10.43	10.65	10.58	10.05	9.90	9.82	9.60	8.88
9 Belgium	8.10	5.65	4.73	3.87	3.74	3.47	3.23	3.25	3.23	3.19
10 Japan	2.96	2.24	1.20	.54	.52	.55	.61	.60	.61	.62

1. Rates are for three-month interbank loans, with the following exceptions: Canada, finance company paper; Belgium, three-month Treasury bills; and Japan, CD rate.

3.28 FOREIGN EXCHANGE RATES[1]

Currency units per dollar except as noted

Country/currency unit	1993	1994	1995	1995	1996				
				Dec.	Jan.	Feb.	Mar.	Apr.	May
1 Australia/dollar[2]	67.993	73.161	74.073	74.053	74.171	75.557	77.136	78.566	79.700
2 Austria/schilling	11.639	11.409	10.076	10.142	10.296	10.321	10.391	10.580	10.782
3 Belgium/franc	34.581	33.426	29.472	29.615	30.081	30.115	30.371	30.902	31.502
4 Canada/dollar	1.2902	1.3664	1.3725	1.3693	1.3669	1.3752	1.3656	1.3592	1.3693
5 China, P.R./yuan	5.7795	8.6404	8.3700	8.3350	8.3384	8.3338	8.3495	8.3583	8.3479
6 Denmark/krone	6.4863	6.3561	5.5999	5.5791	5.6618	5.6749	5.7074	5.9414	5.9160
7 Finland/markka	5.7251	5.2340	4.3763	4.3361	4.4510	4.5532	4.6066	4.7288	4.7541
8 France/franc	5.6669	5.5459	4.9864	4.9565	5.0117	5.0440	5.0583	5.1049	5.1855
9 Germany/deutsche mark	1.6545	1.6216	1.4321	1.4406	1.4635	1.4669	1.4776	1.5048	1.5324
10 Greece/drachma	229.64	242.50	231.68	238.06	240.91	242.21	241.54	242.00	243.27
11 Hong Kong/dollar	7.7357	7.7290	7.7357	7.7345	7.7329	7.7323	7.7325	7.7345	7.7363
12 India/rupee	31.291	31.394	32.418	34.966	35.812	36.595	34.485	34.320	35.025
13 Ireland/pound[2]	146.47	149.69	160.35	159.18	158.18	158.10	157.21	156.51	156.29
14 Italy/lira	1,573.41	1,611.49	1,629.45	1,593.88	1,584.87	1,570.00	1,562.43	1,565.60	1,556.71
15 Japan/yen	111.08	102.18	93.96	101.85	105.75	105.79	105.94	107.20	106.34
16 Malaysia/ringgit	2.5738	2.6237	2.5073	2.5399	2.5563	2.5487	2.5417	2.5113	2.4936
17 Netherlands/guilder	1.8585	1.8190	1.6044	1.6127	1.6388	1.6424	1.6540	1.6805	1.7135
18 New Zealand/dollar[2]	54.127	59.358	65.625	64.996	66.195	67.495	68.079	68.242	68.571
19 Norway/krone	7.1009	7.0553	6.3355	6.3579	6.4275	6.4103	6.4277	6.4901	6.5748
20 Portugal/escudo	161.08	165.93	149.88	151.03	151.90	152.49	152.93	154.51	157.54
21 Singapore/dollar	1.6158	1.5275	1.4171	1.4148	1.4211	1.4115	1.4095	1.4082	1.4074
22 South Africa/rand	3.2729	3.5526	3.6286	3.6632	3.6413	3.7420	3.9293	4.2130	4.3679
23 South Korea/won	805.75	806.93	772.82	771.31	787.13	780.12	781.31	780.42	780.86
24 Spain/peseta	127.48	133.88	124.64	122.53	123.38	123.65	124.39	125.49	127.97
25 Sri Lanka/rupee	48.211	49.170	51.047	53.808	53.874	53.716	53.748	54.163	54.868
26 Sweden/krona	7.7956	7.7161	7.1406	6.6393	6.7405	6.8775	6.7318	6.7141	6.7984
27 Switzerland/franc	1.4781	1.3667	1.1812	1.1631	1.1818	1.1967	1.1959	1.2180	1.2539
28 Taiwan/dollar	26.416	26.465	26.495	27.315	27.406	27.485	27.400	27.188	27.352
29 Thailand/baht	25.333	25.161	24.921	25.164	25.298	25.250	25.251	25.290	25.289
30 United Kingdom/pound[2]	150.16	153.19	157.85	154.05	152.88	153.60	152.71	151.60	151.52
MEMO									
31 United States/dollar[3]	93.18	91.32	84.25	85.07	86.23	86.41	86.57	87.46	88.28

1. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) monthly statistical release. For ordering address, see inside front cover.
2. Value in U.S. cents.
3. Index of weighted-average exchange value of U.S. dollar against the currencies of ten industrial countries. The weight for each of the ten countries is the 1972–76 average world trade of that country divided by the average world trade of all ten countries combined. Series revised as of August 1978 (see *Federal Reserve Bulletin*, vol. 64 (August 1978), p. 700).

Guide to Statistical Releases and Special Tables

STATISTICAL RELEASES—List Published Semiannually, with Latest Bulletin *Reference*

SPECIAL TABLES—Data Published Irregularly, with Latest Bulletin *Reference*

4.31 PRO FORMA FINANCIAL STATEMENTS FOR FEDERAL RESERVE PRICED SERVICES

A. Pro forma balance sheet

Millions of dollars

Item	Mar. 31, 1996		Mar. 31, 1995	
Short-term assets (Note 1)				
Imputed reserve requirement on clearing balances	557.2		343.3	
Investment in marketable securities	5,014.8		3,089.7	
Receivables	63.1		65.0	
Materials and supplies	10.6		7.1	
Prepaid expenses	39.8		39.6	
Items in process of collection	1,827.4		1,867.7	
Total short-term assets		7,512.9		5,412.4
Long-term assets (Note 2)				
Premises	365.3		343.3	
Furniture and equipment	146.6		157.0	
Leases and leasehold improvements	21.5		22.9	
Prepaid pension costs	254.3		212.6	
Total long-term assets		787.7		735.8
Total assets		**8,300.6**		**6,148.3**
Short-term liabilities				
Clearing balances and balances arising from early credit of uncollected items	5,630.3		3,463.9	
Deferred-availability items	1,769.1		1,836.8	
Short-term debt	113.5		111.7	
Total short-term liabilities		7,512.9		5,412.4
Long-term liabilities				
Obligations under capital leases	2.3		3.8	
Long-term debt	176.3		156.0	
Postretirement/postemployment benefits obligation	179.7		166.8	
Total long-term liabilities		358.3		326.6
Total liabilities		**7,871.2**		**5,739.1**
Equity		429.4		409.2
Total liabilities and equity (Note 3)		**8,300.6**		**6,148.3**

NOTE. Components may not sum to totals because of rounding. The priced services financial statements consist of these tables and the accompanying notes.

B. Pro forma income statement

Millions of dollars

Item	Quarter ending Mar. 31, 1996		Quarter ending Mar. 31, 1995	
Revenue from services provided to depository institutions (Note 4)		194.1		182.0
Operating expenses (Note 5)		161.1		168.9
Income from operations		33.0		13.1
Imputed costs (Note 6)				
Interest on float	10.7		5.7	
Interest on debt	4.3		4.1	
Sales taxes	2.7		2.2	
FDIC insurance	0.0	17.8	3.5	15.5
Income from operations after imputed costs		15.2		−2.4
Other income and expenses (Note 7)				
Investment income on clearing balances	71.5		63.9	
Earnings credits	65.4	6.1	54.3	9.5
Income before income taxes		21.3		7.1
Imputed income taxes (Note 8)		6.4		2.2
Income before cumulative effect of a change in accounting principle		14.9		4.9
Cumulative effect on previous years from retroactive application of accrual method of accounting for postemployment benefits (net of $6.5 million tax) (Note 9)		...		−14.6
Net income		**14.9**		**−9.6**
MEMO				
Targeted return on equity (Note 10)		10.3		8.1

NOTE. Components may not sum to totals because of rounding. The priced services financial statements consist of these tables and the accompanying notes.

NOTES TO FINANCIAL STATEMENTS FOR FEDERAL RESERVE PRICED SERVICES

(1) SHORT-TERM ASSETS

The imputed reserve requirement on clearing balances held at Reserve Banks by depository institutions reflects a treatment comparable to that of compensating balances held at correspondent banks by respondent institutions. The reserve requirement imposed on respondent balances must be held as vault cash or as nonearning balances maintained at a Reserve Bank; thus, a portion of priced services clearing balances held with the Federal Reserve is shown as required reserves on the asset side of the balance sheet. The remainder of clearing balances is assumed to be invested in three-month Treasury bills, shown as investment in marketable securities.

Receivables are (1) amounts due the Reserve Banks for priced services and (2) the share of suspense-account and difference-account balances related to priced services.

Materials and supplies are the inventory value of short-term assets.

Prepaid expenses include salary advances and travel advances for priced-service personnel.

Items in process of collection is gross Federal Reserve cash items in process of collection (CIPC) stated on a basis comparable to that of a commercial bank. It reflects adjustments for intra-System items that would otherwise be double-counted on a consolidated Federal Reserve balance sheet; adjustments for items associated with non-priced items, such as those collected for government agencies; and adjustments for items associated with providing fixed availability or credit before items are received and processed. Among the costs to be recovered under the Monetary Control Act is the cost of float, or net CIPC during the period (the difference between gross CIPC and deferred-availability items which is the portion of gross CIPC that involves a financing cost), valued at the federal funds rate.

(2) LONG-TERM ASSETS

Consists of long-term assets used solely in priced services, the priced-services portion of long-term assets shared with nonpriced services, and an estimate of the assets of the Board of Governors used in the development of priced services. Effective Jan. 1, 1987, the Reserve Banks implemented the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 87, *Employers' Accounting for Pensions* (SFAS 87). Accordingly, the Federal Reserve Banks recognized credits to expenses of $12.2 million in the first quarter of 1996 and $7.2 million in the first quarter of 1995, and corresponding increases in this asset account.

(3) LIABILITIES AND EQUITY

Under the matched-book capital structure for assets that are not "self-financing," short-term assets are financed with short-term debt. Long-term assets are financed with long-term debt and equity in a proportion equal to the ratio of long-term debt to equity for the fifty largest bank holding companies, which are used in the model for the private-sector adjustment factor (PSAF). The PSAF consists of the taxes that would have been paid and the return on capital that would have been provided had priced services been furnished by a private-sector firm. Other short-term liabilities include clearing balances maintained at Reserve Banks and deposit balances arising from float. Other long-term liabilities consist of obligations on capital leases.

(4) REVENUE

Revenue represents charges to depository institutions for priced services and is realized from each institution through one of two methods: direct charges to an institution's account or charges against its accumulated earnings credits.

(5) OPERATING EXPENSES

Operating expenses consist of the direct, indirect, and other general administrative expenses of the Reserve Banks for priced services plus the expenses for staff members of the Board of Governors working directly on the development of priced services. The expenses for Board staff members were $.7 million in the first quarter of 1996 and 1995. The credit to expenses under SFAS 87 (see note 2) is reflected in operating expenses.

(6) IMPUTED COSTS

Imputed costs consist of interest on float, interest on debt, sales taxes, and the FDIC assessment. Interest on float is derived from the value of float to be recovered, either explicitly or through per-item fees, during the period. Float costs include costs for checks, book-entry securities, noncash collection, ACH, and funds transfers.

Interest is imputed on the debt assumed necessary to finance priced-service assets. The sales taxes and FDIC assessment that the Federal Reserve would have paid had it been a private-sector firm are among the components of the PSAF (see note 3).

The following list shows the daily average recovery of float by the Reserve Banks for the first quarter of 1996 and 1995 in millions of dollars:

	1996	1995
Total float	1,386.7	666.5
Unrecovered float	19.2	3.6
Float subject to recovery	1,367.5	662.9
Sources of float recovery		
Income on clearing balances	136.6	64.6
As-of adjustments	590.9	268.3
Direct charges	274.4	130.4
Per-item fees	365.6	199.6

Unrecovered float includes float generated by services to government agencies and by other central bank services. Float recovered through income on clearing balances is the result of the increase in investable clearing balances; the increase is produced by a deduction for float for cash items in process of collection, which reduces imputed reserve requirements. The income on clearing balances reduces the float to be recovered through other means. As-of adjustments and direct charges are mid-week closing float and interterritory check float, which may be recovered from depositing institutions through adjustments to the institution's reserve or clearing balance or by valuing the float at the federal funds rate and billing the institution directly. Float recovered through per-item fees is valued at the federal funds rate and has been added to the cost base subject to recovery in the first quarter of 1996.

(7) OTHER INCOME AND EXPENSES

Consists of investment income on clearing balances and the cost of earnings credits. Investment income on clearing balances represents the average coupon-equivalent yield on three-month Treasury bills applied to the *total* clearing balance maintained, adjusted for the effect of reserve requirements on clearing balances. Expenses for earnings credits granted to depository institutions on their clearing balances are derived by applying the average federal funds rate to the *required* portion of the clearing balances, adjusted for the net effect of reserve requirements on clearing balances.

(8) INCOME TAXES

Imputed income taxes are calculated at the effective tax rate derived from the PSAF model (see note 3).

(9) POSTEMPLOYMENT BENEFITS

Effective Jan. 1, 1995, the Reserve Banks implemented SFAS 112, *Employers' Accounting for Postemployment Benefits.* Accordingly in the first quarter of 1995 the Reserve Banks recognized a one-time cumulative charge of $21.1 million to reflect the retroactive application of this change in accounting principle.

(10) RETURN ON EQUITY

Represents the after-tax rate of return on equity that the Federal Reserve would have earned had it been a private business firm, as derived from the PSAF model (see note 3). This amount is adjusted to reflect the recovery of automation consolidation costs of $1.7 million for the first quarter of 1996 and $.3 million for the first quarter of 1995. The Reserve Banks plan to recover these amounts, along with a finance charge, by the end of the year 2001.

Index to Statistical Tables

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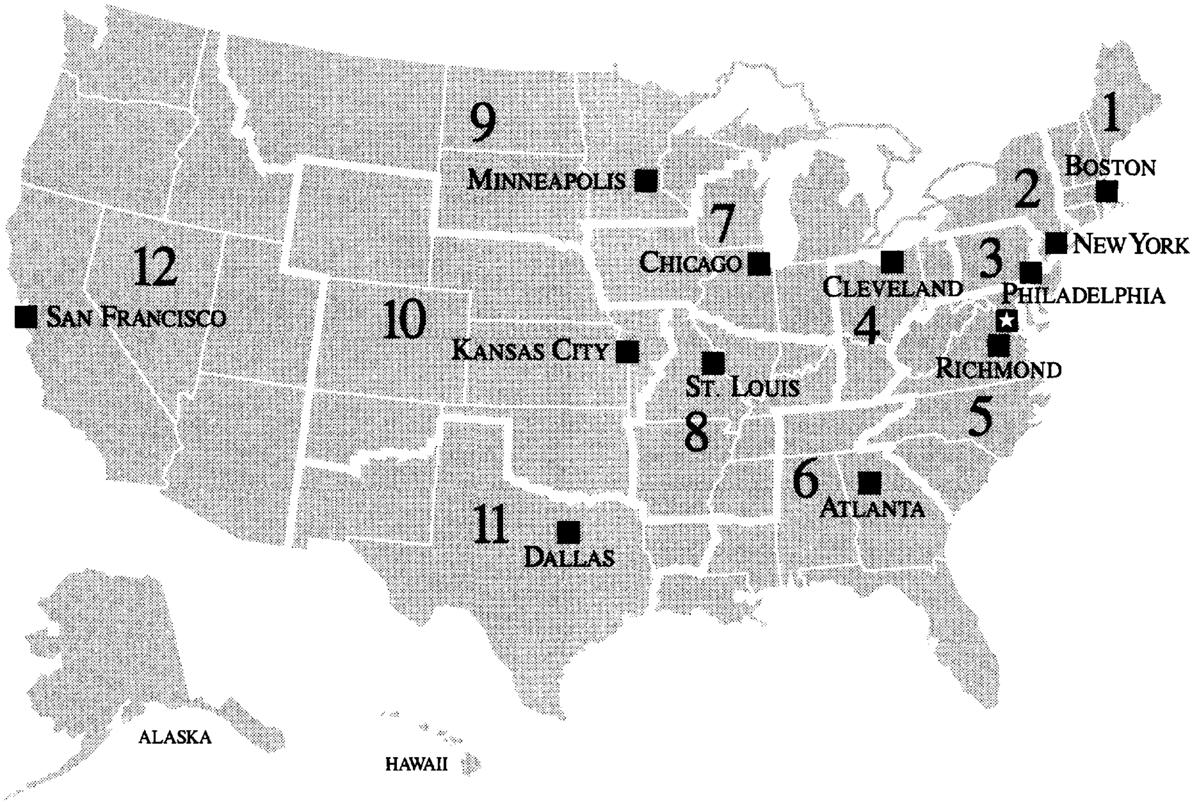


LEGEND

Both pages

■ Federal Reserve Bank city

◘ Board of Governors of the Federal Reserve System, Washington, D.C.

Facing page

• Federal Reserve Branch city

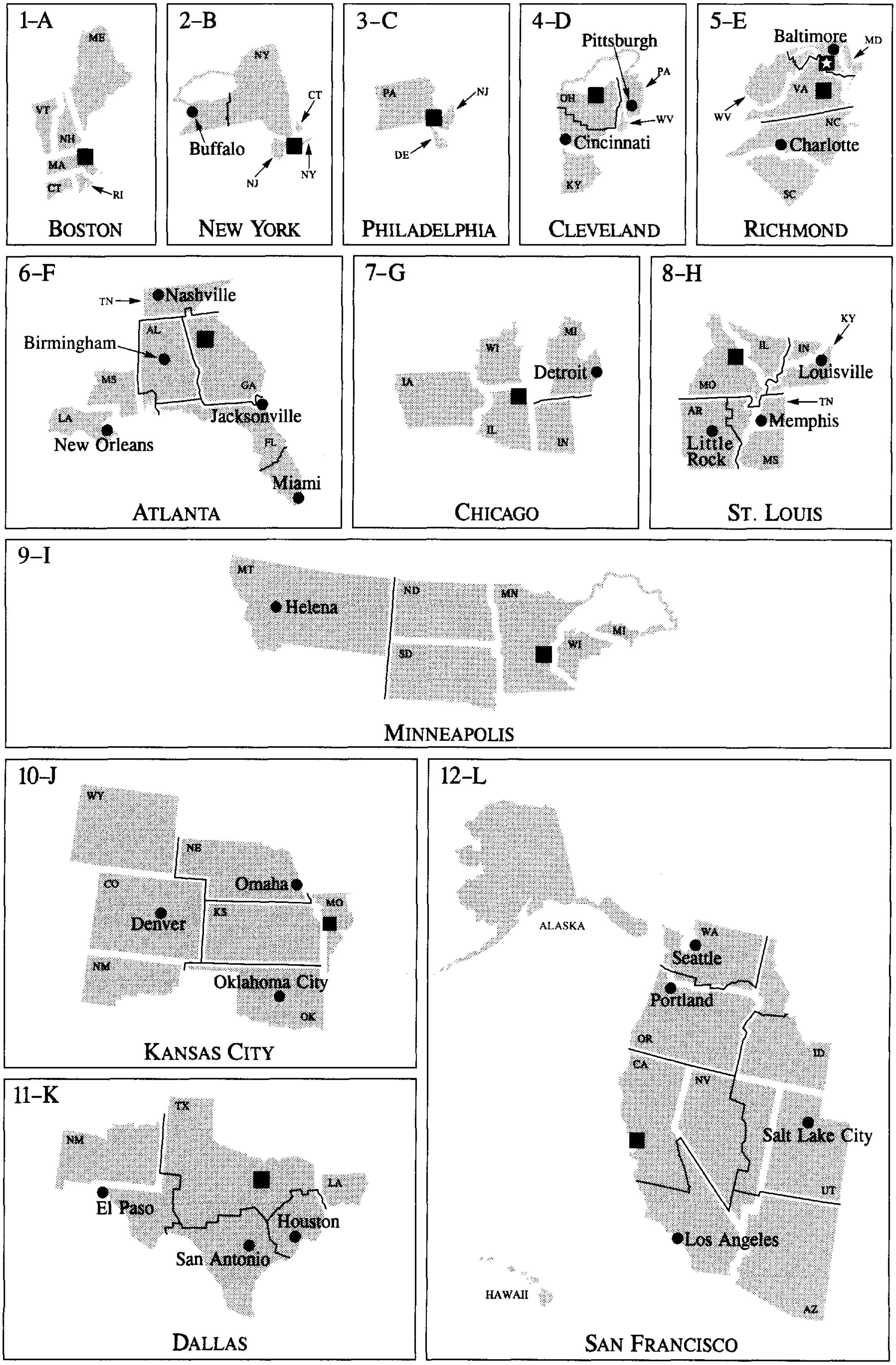
— Branch boundary

NOTE

The Federal Reserve officially identifies Districts by number and Reserve Bank city (shown on both pages) and by letter (shown on the facing page).

In the 12th District, the Seattle Branch serves Alaska, and the San Francisco Bank serves Hawaii.

The System serves commonwealths and territories as follows: the New York Bank serves the Commonwealth of Puerto Rico and the U.S. Virgin Islands; the San Francisco Bank serves American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands. The Board of Governors revised the branch boundaries of the System most recently in December 1991.



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