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SUMMER 2008

Central Banker

News and Views for Eighth District Bankers

New President Bullard Bullish on Economics

Too often, says new St. Louis Fed President Jim Bullard, economics is regarded as a mere college subject.

"Many people think economics is too complicated. Not everyone goes to college; so, not everyone gets it—even though they live with the consequences of supply and demand every day," Bullard says. "We live in a market system, and people need to understand how that system works."

Bullard, who succeeded Bill Poole as president April 1, is an advocate of the power of economic ideas and financial literacy. He pursued those ideals through 18 years of study in the St. Louis Fed's Research division, as well as through professional associations and speaking engagements. Since joining the Fed, Bullard has already spread this message to many groups in the Eighth District.

He's also well-versed on monetary policy, having worked closely with Poole on briefings before each Federal Open Market Committee meeting. Bullard's expertise in monetary policy and familiarity with FOMC procedures are among the many reasons why he was tapped for the job.

"I've seen many of the events of the recent years from the inside out, including the Asian currency crisis, the bursting of the tech bubble and the S&L predicament. By intimately knowing monetary policy, I'm not coming in cold during a time when the situation is very tense," he says. "It's actually the most tense it's been since 1980."

The key thing for commercial bankers to keep in mind, Bullard says, is that the U.S. economy is resilient and has weathered many shocks over the years. "We'll get through this one as well. The economy continues to surprise at how it adapts and comes back," he says.

Bullard, 47, was appointed president by the St. Louis Fed's Board of Directors after an extensive search and was approved by the Fed's Board of Governors. To read Bullard's full biography, see www.stlouisfed.org/news/press_room/bios.html#bullard. ■

District Banks: Profits Steady, But Problem Loans Mount

By Michelle Neely

Eighth District banks and their national peers continue to face pressure on earnings amid rising asset quality problems and weakness in the regional and national economies. First-quarter results illustrate these pressures, yet indicate that banks in the District have been remarkably resilient thus far.

Return on average assets (ROA) increased slightly in the first quarter at District banks. They posted an average ROA of 0.96 percent compared with 0.94 percent at year-end 2007. The District's first-quarter performance substantially exceeded that of U.S. peer banks (banks with average assets of less than $15 billion), which, as a group, recorded an average ROA of 0.81 percent. ROA for both sets of banks is down markedly from year-ago levels, though the drop at peer banks is more substantial at 36 basis points.

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Feditorial

What We're Learning from the Subprime Mortgage Crisis

By Bob Schenk, senior vice president, Public and Community Affairs

Few public policy issues have burst onto the American scene so rapidly and with such intensity as the subprime mortgage crisis. Over the past several months, we have seen an ever expanding quagmire of those caught up by such causal factors as poor underwriting standards, inaccurate financial information, over-speculation in a very hot real estate market or simply people assuming new financial obligations for which they were not adequately prepared.

In addition to the widespread media coverage, there has been an unprecedented response by a wide variety of federal, state and local agencies, as well as innumerable social service and nonprofit organizations. Yet, we continue to hear and see advertising and marketing campaigns striving to lure prospective homeowners with teaser rates, promises of 100 percent financing or pledges to overlook poor credit.

While the dream of homeownership is one of the strongest threads in the fabric of American society, the latest tear reflects a crisis beyond the current issues in the mortgage and credit markets. What is apparent is the continuing lack of financial education at all levels of society and of efforts to address issues related to household finances and personal financial literacy.

However, the Federal Reserve System is helping homeowners, prospective buyers, bankers, community groups and related organizations get a better handle on understanding the myriad issues of subprime and foreclosure.

In the Eighth District, we're providing more information and knowledge about these issues to bankers, lenders and consumers through a variety of briefings, speeches and Bank publications. In St. Louis, we partnered with a local agency to convene nearly 60 different organizations working together to share resources and knowledge. We have dozens of additional public forums scheduled in the coming months to address mortgage issues.

We also have a Foreclosure Resources web site (www.stlouisfed.org/financial/foreclosure_fin.html), which includes a section dedicated to financial institutions and lenders. It contains some of our latest mortgage and foreclosure research; several years' worth of articles from our publications, including *Central Banker;* news on pending regulations, forums and tools; as well as links for consumers and community groups. Zone-specific information is also available for Louisville and Little Rock. (Memphis will be added soon.)

Over the coming months and years, the St. Louis Fed will continue to muster resources to provide leadership on subprime and foreclosure issues (as well as on a wide variety of other District and national issues) and to foster financial literacy and economic education as the underpinnings of our community outreach. ■

St. Louis Fed's Check Restructuring Speeds Up

Check volumes are continuing to decline at a significant rate as people are increasingly switching to electronic forms of payment. A recent review by the Federal Reserve's Retail Payments Office determined that the scheduled consolidations of St. Louis Fed Check operations with those at other Feds needs to happen sooner.

St. Louis office: Previously, St. Louis Check operations were going to be consolidated with the Atlanta Fed in the first quarter of 2011. This will now take place in the fourth quarter of 2009. Treasury check and postal money orders will continue to be processed in St. Louis after 2009.

Memphis office: After the city fine-sort deposit deadline on Friday, July 18, 2008, Memphis will no longer accept paper checks for processing. Instead, they will be delivered to the Atlanta office. Memphis and Little Rock customers should drop off their work at their respective transit points for transportation to Atlanta.

If you have questions or concerns regarding the consolidation, call Sales Support at 513-455-4242. ■

The Past, Present and Future of the U.S.

By William R. Emmons

The U.S. mortgage market evolved through several distinct phases to reach its current status as the largest, most innovative and most complex home-financing market in the world. Broadly, there were five major eras during the last century. How the mortgage market evolves during the next few years depends in large part on whether the private-label mortgage-backed securities (MBS) market recovers and on the extent and nature of any potential federal government interventions into housing and mortgage markets.

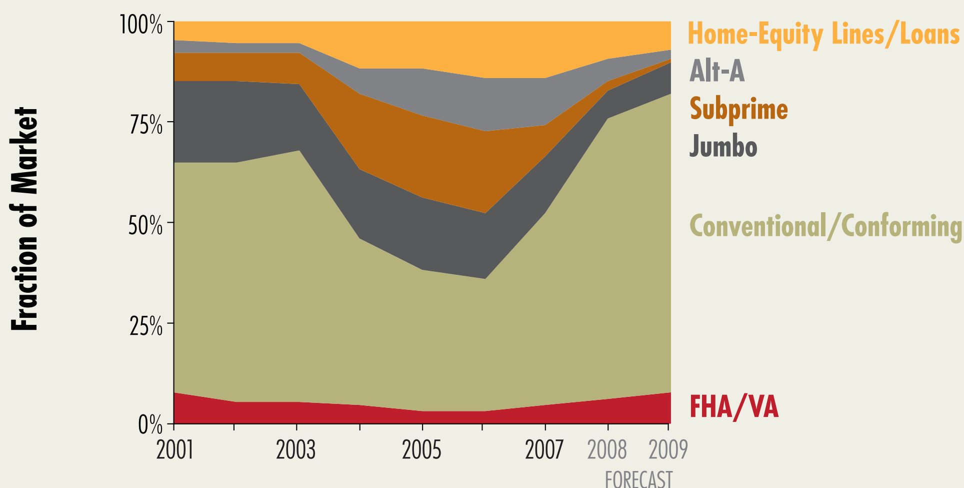
The pregovernment era. Before the Great Depression, the mortgage market was strictly a private affair. There was no federal deposit insurance or federal regulation of mortgage lending. The homeownership rate was below 50 percent. Mortgage down-payment requirements of 50 percent were typical. Most mortgage loans were short-term, sometimes as short as five years, and were set up as balloon mortgages. Homeownership was not a viable option for most households.

The era of the Great Depression. The Great Depression damaged the entire financial system, especially the mortgage sector. By 1934, the mortgage-delinquency rate was about 50 percent nationwide, as banks, thrifts and mortgage lenders failed. The federal government responded by creating a host of regulations and institutions. Included were greater federal supervision of mortgage lending and depository institutions; federal deposit insurance; the Federal Housing Administration (FHA); the Federal Home Loan Bank System (FHLBS); the now-defunct Home Owners' Loan Corp. (HOLC); the Reconstruction Finance Corp. (RFC); and the Federal National Mortgage Association (Fannie Mae).

The era of federally insured depository institutions. Increased federal supervision and the introduction of federal deposit insurance greatly strengthened banks and thrifts. These depository institutions came to dominate mortgage lending after World War II, achieving a combined mortgage-market share of 75 percent by 1973. The predominant loan type became the long-term, self-amortizing, fixed-rate mortgage that was created by the FHLBS. The Veterans Administration and FHA guaranteed mortgages for a large number of households, contributing to a rising homeownership rate, which reached 64 percent by 1970.

The era of the GSEs and secondary markets. The key vulnerabilities of depository institutions were exposure to high default rates in local markets and an interest-rate mismatch between short-term deposits and long-term fixed-rate mortgages. An important policy response to these weaknesses was the creation of two government-sponsored

Mortgage Originations by Product Type



SOURCE: Author's calculations and forecast (for 2008 and 2009)

Mortgage Market

enterprises (GSE)—Fannie Mae in 1968 and Freddie Mac (Federal Home Loan Mortgage Corp.) in 1970—while retaining Ginnie Mae (Government National Mortgage Association) as a government agency; together, these institutions created a secondary market for mortgages. The GSEs did not originate mortgages, but bought them from originators with the proceeds of bond issues made in national and international capital markets. The GSEs held some mortgages themselves and packaged and sold other mortgages in the form of "agency" MBS. By 2000, the GSEs funded or guaranteed more than half of all mortgages.

The era of private-label MBS and the "originate-to-distribute" business model. Despite the improvements in risk management represented by the GSEs, the homeownership rate remained unchanged, on balance, between 1970 and 1995. In part to encourage greater mortgage lending to nontraditional or underserved borrowers, and in part as a response to the rapid innovations in financial markets, a new business model emerged—private-label MBS. This so-called originate-to-distribute business model allowed different firms to specialize in the various parts of the mortgage-lending process, such as origination, securitization, guaranteeing, funding and servicing. By last year, more than 20 percent of the mortgage market was funded by private-label MBS.

The collapse of the subprime-mortgage market in 2007 triggered a broader credit-market crisis of confidence, which has persisted into 2008. The private-label MBS model has all but disappeared, buckling under the weight of misaligned incentives, significant doses of fraud and unrealistic expectations on the part of many of its participants.

There is no realistic prospect that the private-label MBS model will return to life in the near future. The most likely future for the U.S. mortgage market is a return to its past—namely, the bulk of mortgage funds will be provided by insured depository institutions and the GSEs. What is still unclear is whether, and to what extent, the federal government will intervene to create entirely new regulations and institutions that could usher in another era in the evolution of the mortgage market. ■

William R. Emmons is an officer and economist at the Federal Reserve Bank of St. Louis.

Challenging Environment

continued from Page 1

District banks' average net interest margin (NIM) declined in the first quarter, but this drop was offset by a decline in net noninterest expense. U.S. peer banks' average NIM declined, but net noninterest expense rose. A substantial increase in loan loss provisions also hurt profits at U.S. peer banks; loan loss provisions as a percent of average assets (LLP ratio) rose from 0.34 percent in the fourth quarter to 0.56 in the first quarter. This ratio has almost tripled at U.S. peer banks over the last year, reflecting rising asset quality problems at banks nationwide. The District LLP ratio has also risen, but at a lower level and rate of increase.

Asset quality is a continuing concern at both sets of banks. The ratio of nonperforming loans in the District to total loans increased 17 basis points to 1.72 percent in the first quarter and has doubled over the past year. The pattern is echoed at U.S. peers.

Most of the weakness remains concentrated in real estate loan portfolios. Slightly more than 2 percent of the District's outstanding real estate loans are nonperforming, as are 1.92 percent at U.S. peer banks. More than 5 percent of District construction and land development loans were nonperforming at the end of March.

On average, District banks remain well-capitalized. At the end of the first quarter, all District banks but one (which subsequently failed) met or exceeded the three regulatory capital ratios. ■

Michelle Neely is an economist at the Federal Reserve Bank of St. Louis.

Tougher Times for District Earnings and Loan Quality[1]

	1st Q 2007	4th Q 2007	1st Q 2008
RETURN ON AVERAGE ASSETS[2]			
District Banks	1.03%	0.94%	0.96%
Peer Banks	1.17	1.05	0.81
NET INTEREST MARGIN			
District Banks	3.85	3.90	3.79
Peer Banks	3.92	3.99	3.85
LOAN LOSS PROVISION RATIO			
District Banks	0.18	0.36	0.38
Peer Banks	0.20	0.34	0.56
NONPERFORMING LOANS RATIO[3]			
District Banks	0.86	1.55	1.72
Peer Banks	0.73	1.24	1.63

SOURCE: Reports of Condition and Income for Insured Commercial Banks

1 Banks with assets of more than $15 billion have been excluded from the analysis.
2 All earnings ratios are annualized and use year-to-date average assets (or earning assets) in the denominator.
3 Nonperforming loans are those 90 days or more past due or in nonaccrual status.

Housing and the "R" Word

By Daniel L. Thornton

Daniel L. Thornton is a vice president of Research at the Federal Reserve Bank of St. Louis.

There has been considerable discussion of the possibility that the economy could be heading toward recession—a sustained period (typically, two quarters or longer) of negative growth in real GDP (gross domestic product)—because of ongoing troubles in the housing market. The decline in housing alone is unlikely to cause a recession. Any recessionary effect of housing on the economy will be a consequence of the indirect effects that housing has on aggregate spending, primarily consumer spending.

Real GDP is a measure of the economy's current production. Sales of existing houses have no impact on current production because these houses were produced sometime in the past. The direct effect of housing on current economic growth comes through the residential investment component of GDP, such as current construction of single- and multifamily housing, for example.

Residential investment accounts for only about 5 percent of GDP, however. Consequently, the effect of residential investment on economic growth is relatively modest. This is illustrated in the adjoining figure, which shows quarterly GDP growth with and without residential investment (left-hand scale) and the quarterly growth rate of residential investment (right-hand scale) over the period 1970Q1 through 2007Q4. The figure shows that the direct effect of changes in residential investment on economic growth is small. For example, the difference in growth of real economic activity including or excluding residential investment since mid-2005 is very small despite the large negative growth of residential investment. Very large changes in the growth of residential investment have a modest effect on economic growth.

Since residential investment peaked in the fourth quarter of 2005, its decline has reduced growth of real GDP by an average of about 0.88 percentage points. This decline has largely been offset by nonresidential investment, which has continued to grow at a brisk pace.

If the troubles in the housing industry are to cause a recession, it will have to be because of the effect of housing on consumer spending. Consumers base their spending decisions not only on their current income, but also on their wealth. An increase in wealth, with other things the same, should induce consumers to spend more of their current income. Hence, a decline in wealth could generate a decline in consumer spending. For many people, the net worth of their home is the single most important source of wealth. Consequently, a decline in home prices makes people less wealthy and may cause them to consume less. Because consumption accounts for about 70 percent of GDP, even relatively small changes in consumer spending can have a relatively large effect on output growth.

Wealth effects are difficult to identify and measure. Consequently, how large a wealth effect housing has on output growth due to consumption is difficult to say. The wealth effect associated with changes in equity values appears to be weak. Evidence of a wealth effect associated with housing wealth is stronger, however. This suggests that the recent and continuing turmoil in the housing

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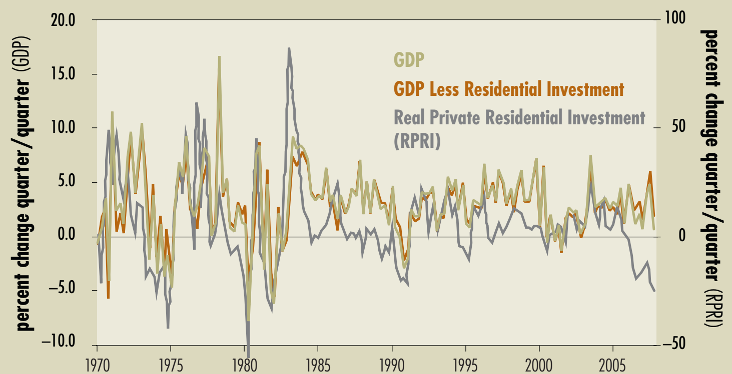
Effect of Residential Investment on GDP



Changes in the growth rate of housing (positive or negative) don't have a large direct effect on GDP. Even though housing has had large negative growth since 2005, there is not much difference between GDP with and without residential investment.

SOURCE: Author's calculations

Central Banker Coverage Is Expanding Online

Central Banker is breaking through its borders. Beginning with the current issue, new, exclusive content will be offered online in addition to what's in the printed publication. You'll see more economic views, regulatory updates and other information that the Fed hopes you'll find useful.

Go to www.stlouisfed.org/publications/cb/default.html for these and other online articles:

- Fed Research looks at the defining factor of Bill Poole's presidency of the St. Louis Fed.
- Bankers have probably heard of the Federal Reserve's *Beige Book*. Now the St. Louis Fed's Research division has introduced the quarterly *Burgundy Books,* a closer look at the economies of the four zones within the Eighth District.
- The St. Louis Fed's accounting department would like to receive customer feedback from banks using Fed services in the Eighth District.
- Fed economist and research officer Mike Pakko examines whether smoking bans make economic sense.
- A new Fed brochure outlines the Tennessee Home Loan Protection Act and the dangers of predatory lending.
- A new Fed pricing policy for carrier documents takes effect Aug. 1. ■

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Housing

continued from Page 5

industry may adversely affect economic growth.[1] Growth of real consumption expenditures slowed somewhat in 2007 from its average pace of more than 3 percent over the period 2003-2006. The extent to which this represents a wealth effect of housing on consumer spending is unclear. ■

ENDNOTES

[1] See "Comparing Wealth Effects: The Stock Market vs. the Housing Market," Karl E. Case, John M. Quigley, and Robert X. Shiller, *Advances in Macroeconomics,* 2005, 5(1), pp. 1-34.

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https://www.stlouisfed.org/publications/central-banker/summer-2008/do-smoking-bans-make-economic-sense

Views: Do Smoking Bans Make Economic Sense?

Do you know any businesses in your community that have been told to extinguish those butts-or else? Do smoking bans help or hurt business? Fed economist and Research officer Mike Pakko clears the haze in this 21-minute audiocast on the economics of smoking bans.

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https://www.stlouisfed.org/publications/central-banker/summer-2008/poole-reflects-on-presidency-in-banks-annual-report

Views: Poole Reflects on Presidency in Bank's Annual Report

After serving 10 years as president of the Federal Reserve Bank of St. Louis, Bill Poole has much to say. The St. Louis Fed's 2007 annual report features an in-depth interview with Poole, who retired March 31. He discusses how monetary policy was affected by the turbulent economic events that marked his tenure, as well as the FOMC's communication policies and the evolving nature of Reserve banks. Also included are highlights from some of Poole's nearly 150 speeches as president and comments from colleagues regarding his impact on monetary policy over the past decade.

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https://www.stlouisfed.org/publications/central-banker/summer-2008/send-feedback-online-to-st-louis-feds-accounting

Tools: Send Feedback Online to St. Louis Fed's Accounting

The St. Louis Fed's accounting customer support now offers depository institutions an online service feedback tool.

The new online tool replaces the hard copy feedback card you may have received through regular mail in the past. Customers who contact the Fed for accounting information services now receive an e-mail survey a few days later. Your service expectations are important to the Fed; so, please look for this e-mailed survey and send your responses.

You may have recently read in other Fed publications about accounting customer support services at the Dallas and Chicago Feds that are transitioning to the Minneapolis and Boston Feds, respectively. At this time, there are no plans for the St. Louis Fed to consolidate accounting customer support; local staff will continue to provide your accounting customer support services.

CENTRAL BANKER | SUMMER 2008
https://www.stlouisfed.org/publications/central-banker/summer-2008/st-louis-fed-now-publishing-quarterly-economic-emburgundy-booksem

Tools: St. Louis Fed Now Publishing Quarterly Economic *Burgundy Books*

You've probably heard of the *Beige Book*, the economic report that the Federal Reserve publishes eight times a year before each FOMC meeting. In March, the St. Louis Fed's Center for Regional Economics—8th District (CRE8) released the first *Burgundy Books*.

Like the *Beige Book*, the *Burgundy Books* provide anecdotal information and formal data to help assess current and future economic conditions within the District. The *Burgundy Books* are produced for each of the District's four zones, which surround St. Louis, Little Rock, Louisville and Memphis. Fed economists provide audio commentary and supplement the *Burgundy Books,* which are published online only.

The new report will be published on a quarterly basis and will coincide with the release of a *Beige Book* report. The next *Burgundy Books* will be released June 26. (A *Beige Book* will come out June 11.)

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https://www.stlouisfed.org/publications/central-banker/summer-2008/feds-maps-illustrate-subprime-and-alta-loan-conditions

Tools: Fed's Maps Illustrate Subprime and Alt-A Loan Conditions

Do you need to know where subprime and Alt-A loans are having the biggest affect in your ZIP code, county or state?

Use the Fed's new dynamic maps of nonprime mortgage conditions in the United States. The maps, which are updated monthly, display regional variation in the condition of securitized, owner-occupied subprime and alt-A mortgage loans. Maps can be tailored to show specific information, including:

- loans per 1,000 housing units,
- loans in foreclosure per 1,000 housing units,
- loans real estate owned (REO) per 1,000 housing units,
- share of loans that are adjustable rate mortgages (ARMs),
- share of loans for which payments are current,
- share of loans that are 90-plus days delinquent,
- share of loans in foreclosure,
- median combined loan-to-value ratio (LTV) at origination,
- share of loans with low credit score (FICO) and high LTV at origination,
- share of loans with low or no documentation,
- share of ARMs with initial reset in the next 12 months, and
- share of loans with a late payment in the past 12 months.

The maps and data can be used to help identify existing and potential foreclosure hot spots. In turn, by knowing these locations you can assist community groups, which can mobilize resources to bring financial counseling and other support to at-risk homeowners.

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A Look at Key Tenets of the Poole Presidency

Edward Nelson , Faith A. Weller

On March 31, 2008, William Poole retired as president of the Federal Reserve Bank of St. Louis after 10 years of service. Throughout his time as president and as a participant in Federal Open Market Committee (FOMC) meetings, Poole consistently advocated an approach to monetary policy that emphasized communication and predictability.

As Poole observed, "Since coming to the St. Louis Fed in 1998, I have spoken often on the subject of the predictability of Federal Reserve policy, emphasizing that predictability enhances the effectiveness of policy. Predictability has many dimensions, but one is certainly that the market cannot predict what the Fed is going to do without a deep understanding of what the Fed is trying to do."[1] Therefore, to achieve predictability a policy agency must state its policy objectives clearly to the public.

In addition to public transparency, Poole helped focus the Fed on meeting its legislated goals, including the Employment Act of 1946, which gives the federal government responsibility for promoting "maximum employment, production and purchasing power." As an element of the federal government, the Federal Reserve is therefore assigned the objectives of both high employment and price stability.

Poole, however, suggested that the best way that the Federal Reserve could meet this legislated role in practice was to focus on a single, central policy goal. He believed that the Fed's focus should be on achieving price stability; if this was accomplished, "then we will have done our job and done it well."[2] Price stability supports a healthy economy as it "appears to be helpful in holding down the average level of unemployment" and is "conducive to maximum growth and efficient utilization of the resources available to a society."[3] In this way, the Fed is able to contribute to economic welfare and the goals stated in the Employment Act.

An important reason why the achievement of price stability contributes to achievement of the economic goals, according to Poole, is that it eliminates a source of uncertainty for consumers and firms when they are making long-term decisions. Banking decisions are helped, too, for, as Poole said in 2007, "Long-run price stability contributes to financial stability.... An unstable price level can lead to bad forecasts of real returns to investment projects and, hence, to unprofitable borrowing and lending decisions."[4]

Poole concluded that the pursuit of price stability would be aided by the Federal Reserve's announcement of an explicit target for the U.S. inflation rate. Poole believed that "adding formality to that objective can clarify what the Fed does and why."[5]

In 2007, the FOMC adopted a new transparency and communication policy. As a part of this policy, the FOMC's economic projections are now released more frequently and in greater detail. There is, consequently, less uncertainty for financial markets and the general public. The new policy is consistent with the communication strategy and the price stability objective that Poole advocated.

Endnotes

1. William Poole, "Inflation Targeting," speech before Junior Achievement of Arkansas Inc., Little Rock, Ark., Feb. 16, 2006. [back to text]
2. William Poole, "A Policymaker Confronts Uncertainty," speech before The St. Louis Gateway Chapter National Association for Business Economics, St. Louis, Mo., Sept. 16, 1998. [back to text]
3. Ibid. [back to text]
4. William Poole, "Inflation, Financial Stability and Economic Growth," speech before Global Interdependence Center Abroad, Santiago, Chile, March 5, 2007. [back to text]
5. William Poole, "Inflation Targeting," speech before Junior Achievement of Arkansas Inc., Little Rock, Ark., Feb. 16, 2006. [back to text]

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https://www.stlouisfed.org/publications/central-banker/summer-2008/regional-roundup

Regional Roundup

Fed To Use Strap Imaging for Currency Processing

The St. Louis Fed will begin transitioning to currency strap imaging Aug. 18 for currency processing.

Currently, when a difference is found in a depository institution's (DI) deposits, the Fed returns the straps that were wrapped around the bundles of 100 notes. Soon, the Fed will begin using image capturing to send pictures of the straps back to DIs along with advices when a difference is found.

All Reserve banks are transitioning to currency strap imaging. During this period, you could see a day's delay in receiving cash difference advices for a short period of time, and may receive combinations of original currency straps and printed images until our systems are fully converted.

The depositor information required on the strap by Operating Circular 2 (OC2) remains unchanged; however, this information must be readable from a printed image.

New Fed Pricing Policy for Carrier Documents Effective Aug. 1

The Federal Reserve will modify the pricing on forward collection and return items in carrier documents, effective Aug. 1. Specifically:

- Any qualified return item cash letter containing carrier documents will be reclassified as unqualified (raw) returns, with associated pricing and availability.
- Forward collection machineable cash letters containing carrier documents will be charged an additional $0.02 per item on each item in the cash letter. This fee is in addition to the published fees.
- The fee for items in carrier documents contained in machineable cash letters that fail image quality assurance (IQA) will be increased to $10 per item from $4.

Financial institutions should be aware that Operating Circular 3 (OC 3) imposes the risk of loss on an institution that sends a carrier item to a Reserve bank in a mixed cash letter and indemnifies the Reserve banks against any resulting loss. Carrier documents should continue to be used for photos-in-lieu and items with attachments. These items should be deposited in a non-machineable cash letter (for forward collection) or an unqualified (raw) return cash letter. For more information, see www.frbservices.org.

Fed's Memphis Branch Offers Tennessee Consumers Info on Predatory Lending

A new consumer brochure on predatory lending and the Tennessee Home Loan Protection Act is available from the St. Louis Fed's Memphis Branch. The brochure explains predatory lending and the provisions of the law in easy-to-understand terms.

Generally, the Tennessee Home Loan Protection Act imposes prohibitions and limitations on high-cost home loans. Lenders and mortgage brokers are prohibited from engaging in activities such as:

- knowingly or intentionally making a high-cost loan to a borrower within 30 months of an existing home loan when there is no reasonable benefit to the borrower;
- financing single-premium credit insurance policies in excess of $50,000;
- making a loan that a borrower cannot reasonably repay, considering the borrower's obligations other than the borrower's equity in his or her home; and
- directly or indirectly financing points and fees that exceed 3 percent of the total loan.

These are just a few of a long list of restrictions outlined in the brochure. To obtain copies or for more information, e-mail Teresa Cheeks of the Fed's Memphis Branch or call her at 901-579-4101.

State Quarter Program Completed in 2008

Since 1998, the U.S. Mint has released coins commemorating the 50 states. Each has a unique design pertaining to its state. The program ends this year, with the release of the coins for Oklahoma, New Mexico, Arizona, Alaska and Hawaii.

Meanwhile, the Mint's Presidential $1 Gold Coins program is well under way. (The John Quincy Adams coin is the latest one released as of this story's publication.) Next year, the Mint plans to commemorate the bicentennial of Abraham Lincoln's birth and the centennial of the penny through the Lincoln One-Cent Redesign. Four redesigned pennies are planned to be released in 2009.