

FEATURED IN THIS ISSUE: District and U.S. Banks on the Mend? | Small-Business Lending Problems

Fed Conference Call Helps Banks Navigate CRE Loan Workouts

Economic conditions continue to severely stress the commercial real estate (CRE) market. The CRE market is experiencing increasing delinquencies, value deterioration due to rising cap rates, and substantial refinancing risk over the next several years. The magnitude of the challenge is driven home by the fact that U.S. banks held \$1.8 trillion in outstanding CRE debt as of May 2010.

In response to tremendous losses in CRE, the federal banking supervisors issued in October the Interagency Policy Statement on Prudent CRE Loan Workouts. The purpose was to promote supervisory consistency, enhance the transparency of CRE workout transactions, and ensure that supervisory policies and actions do not inadvertently curtail the availability of credit to sound borrowers.

When problems with CRE loans arise, bankers and borrowers often work together to restructure the loan. But CRE loan workout situations can present unique considerations, leaving bankers with more questions than answers under the federal guidance. So, on May 5, the Fed's experts held a nationwide teleconference call to explain the guidance to bankers and to answer their questions. More than 1,300 financial institutions joined the call, submitting 60 questions for consideration.

The program was presented by Sabeth Siddique, assistant director

Good Loan Workouts Have Three Components

1. **Analyzing the borrower's repayment capacity** – The analysis should demonstrate the borrower's willingness and capacity to repay under reasonable modified terms.
2. **Evaluating the guarantor** – The guarantor should have both the capacity and willingness to provide ongoing support. The bank should have documentation to demonstrate the guarantor's capacity to fulfill the obligation. The documentation should include a written and legally enforceable agreement.
3. **Assessing collateral value** – Consideration should be given to the reasonableness of the underlying assumption of the bank's collateral valuation. Weaknesses in collateral valuations should be addressed, and the degree of collateral protection should be assessed.

of credit risk at the Federal Reserve's Board of Governors, and his team, consisting of Robert Walker, Virginia Gibbs and Brian Valenti.

"The guidance is not a panacea for solving all of the challenges of management and resolution of troubled loans," explained Siddique. "And it's not meant to be any form of forbearance, but rather a reiteration of existing principles."

The general guidance focuses on the following:

- promoting prudent workouts,
- recognizing that reasonable and prudent workouts are in the best interest of both banks and borrowers,

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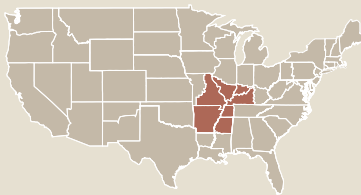
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The Eighth Federal Reserve District includes all of Arkansas, eastern Missouri, southern Illinois and Indiana, western Kentucky and Tennessee, and northern Mississippi. The Eighth District offices are in Little Rock, Louisville, Memphis and St. Louis.



Independence Is Best Route for Fed Accountability

By Julie Stackhouse

Bankers are well aware of the unprecedented actions taken by the Federal Reserve in the fall of 2008 to stem the downward spiral of the financial crisis. At various points in time, the Fed had more than \$1.5 trillion outstanding in loans to financial institutions and, more recently, has purchased \$1.25 trillion of mortgage-backed securities to stabilize the economy.

The magnitude of the Fed's response to the financial crisis has caused some to question why the Fed has the freedom to engage in such actions without the explicit consent of Congress. This freedom to stabilize the financial system without political direction is commonly referred to as "central bank independence."

Legislation recently passed by the House of Representatives could affect central bank independence by permitting frequent and ongoing reviews of monetary policy and financial stability decisions, deliberations and actions by the Government Accountability Office (GAO). Currently, monetary policy actions are not subject to GAO review.

The implications of such reviews are significant and concerning. GAO reviews of discount window loans, for example, could serve to dampen the willingness of banks to borrow from the discount window during periods of financial instability. Take, for example, the first two days following the tragic events of Sept. 11, 2001. If banks had been reluctant to use the discount window for fear of GAO disclosure, would our financial system have rebounded so quickly?

The implications for monetary policy effectiveness must be carefully weighed. The Federal Reserve's ability to act in the long-run best interests of the economy depends importantly on its credibility and independence from short-term political pressures, including the temptation of governments to use the central bank to fund budget deficits or alter the way monetary policy is conducted. Numerous studies have shown that countries whose central banks are protected from short-term political influence have better economic performance, including lower inflation and interest rates.

Without question, the Federal Reserve should be accountable to the electorate for its actions. However, audits by the GAO are not the best way. Indeed, retaining the independence of the central bank may well be the best method for preventing government from misusing monetary policy for short-term political purposes.



Julie Stackhouse is senior vice president of the St. Louis Fed's division of Banking Supervision, Credit and the Center for Online Learning.

Are District and U.S. Banks on the Mend?

By Michelle Neely

Profits strengthened at Eighth District banks and their national peers in the first quarter of 2010, an indicator that the industry may have hit a turning point. Return on average assets (ROA) climbed 49 basis points to 0.58 percent at District banks in the first quarter; at U.S. peer banks—those with average assets of less than \$15 billion—ROA jumped 58 basis points and into positive territory, hitting 0.24 percent. (See table.)

Smaller institutions continue to be more profitable than their larger counterparts. District banks with average assets of less than \$1 billion averaged ROA of 0.76 percent in the first quarter; national peer banks in this size category recorded an average ROA of 0.43 percent.

The increase in profitability is the result of modest increases in net interest income and substantial declines in loan loss provisions and noninterest expenses. The net interest margin (NIM) rose at both sets of banks to 3.77 percent, an increase of 10 basis points for District banks and 12 basis points for U.S. peer banks. At both sets of banks, declines in interest income were more than offset by declines in interest expense, resulting in rising NIMs.

Net noninterest expense shrunk 19 basis points at District banks and 12 basis points at U.S. peer banks. Although personnel and other noninterest expenses fell and noninterest income increased slightly, the primary factor driving down net noninterest expense was a large reduction in impairment losses for goodwill and other intangible assets, especially at institutions with assets of more than \$1 billion.

A substantial reduction in loan loss provisions, however, was the dominant determinant for the large uptick in earnings. Loan loss provisions as a percent of average assets fell 30 basis

Earnings Are Up but So Is Loan Delinquency

	1Q 2009	4Q 2009	1Q 2010
RETURN ON AVERAGE ASSETS			
District Banks	0.18%	0.09%	0.58%
Peer Banks	-0.10	-0.34	0.24
NET INTEREST MARGIN			
District Banks	3.63	3.67	3.77
Peer Banks	3.56	3.65	3.77
LOAN LOSS PROVISION RATIO			
District Banks	0.90	1.07	0.77
Peer Banks	1.32	1.58	1.12
NONPERFORMING LOAN RATIO			
District Banks	2.19	2.86	3.08
Peer Banks	3.32	4.15	4.25

SOURCE: Reports of Condition and Income for Insured Commercial Banks

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

points at District banks and a staggering 46 basis points at U.S. peer banks in the first quarter. Some of that decline no doubt reflects a ratcheting back of normal end-of-year accounting adjustments.

The drop in loan loss provisions does not seem to be related to improvements in asset quality, especially at the District level. The ratio of nonperforming loans to total loans rose 22 basis points to 3.08 percent in the first quarter at District banks and was up 10 basis points to 4.25 percent at U.S. peer banks. Among the three major categories of bank loans—real estate, commercial and industrial, and consumer—only consumer loans showed a drop in delinquency status. Nonperforming loan rates in the real estate portfolio continue to rise, especially in the commercial area. More than 11 percent of all District construction and land development loans were nonperforming at the end of March; for U.S. peer banks, the ratio

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Kentucky's Economy Lags Behind Typical States'

Bankers Could Help by Encouraging Better Education

By Maria Gerwing Hampton

Kentucky's economy has grown slower over the past decades when compared with the national averages, but there have been bright spots, noticeably in housing.

"By almost any measure, the Kentucky economy has grown much slower than the typical U.S. state," says Ken Troske, director of the Center for Business and Economic Research at the University of Kentucky. "And it's not just a regional issue, because Kentucky has grown much slower than other Southern states. While there are regional differences within the state, no region in Kentucky is more prosperous or has experienced faster growth than the typical U.S. state."

Troske joined Paul Coomes, economist and professor at the University of Louisville, to give presentations on the state's regional outlook during the St. Louis Fed's Economic Teamwork event in Louisville in November. They provide an update for us here.

"While from 1929 to 1970 Kentucky closed the gap between itself and the rest of the country, since then the Kentucky economy has been stagnant or may have even reversed course," Troske says.

Coomes' research echoes Troske's statements. Coomes examined population and job growth over the past three decades in nine economic areas in and around Kentucky. Economic areas are large regional markets, defined by the U.S. Bureau of Economic Analysis. These areas group together contiguous counties that are tied together by commuting, retail, transportation and media. All of the areas containing Kentucky counties also include counties in other states.

Coomes explains that population growth/loss and job growth/loss

mirrored each other: If an economic area's population contracted, so did the area's job growth. The overall impression is one of a fairly robust economy down the north-south corridors around Interstates 65 and 75, particularly to the south, and of contraction at the far eastern and western parts of the state. (See Figures 1 and 2.)

Data show the steepest decline in manufacturing jobs between 1970 and 2008, while services jobs showed the greatest increase over the same period. While lagging the U.S. averages on population and job growth, Kentucky as a whole fared somewhat better in the housing market. "There was no sign of a housing bubble in any of the nine markets," Coomes says. "The nine metro areas added a net of 225,000 housing units in the last decade, with a growth of 11 percent, the national average. However, occupied housing units only rose by 135,000, or 7 percent, also identical to the U.S. as a whole; so, vacancy rates have risen substantially in all markets except Bowling Green."

To help understand why growth in Kentucky lags other states, Troske examined one area that has the potential to give the state an economic boost: the stock of knowledge, meaning the state's innovative activity coupled with educational levels of the work force. Of all the factors that affect growth (demographics, local and state government and taxes, infrastructure, etc.), "the single biggest factor that explained why some states grow faster is the stock of knowledge in a state," he says. "Comparing the stock of knowledge in Kentucky to the stock of knowledge in other states shows why Kentucky has performed so poorly over the recent period."

Kentucky also ranks 48th in the country in the percent of adults with

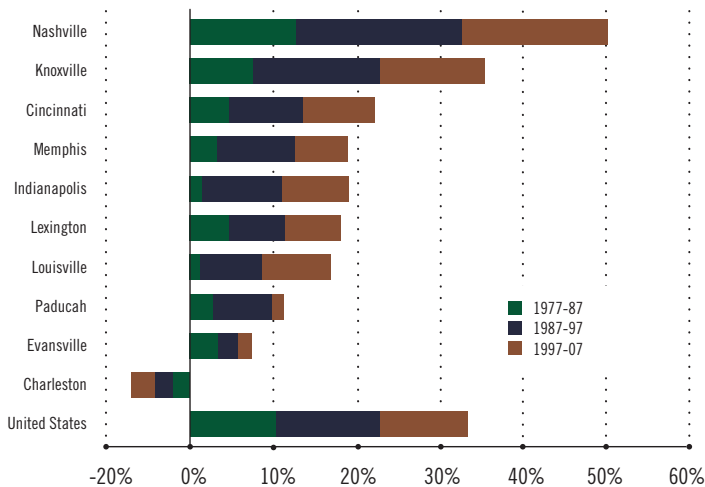
a college degree. One of the primary reasons for the low percentage of college graduates in the state is the high dropout rate at the state's post-secondary schools. In Kentucky, only 23 percent of students who start at a two-year college end up completing a degree compared with 28 percent in the typical state, while less than half the kids who start at a four-year college end up completing a degree compared with 56 percent for the rest of the country.

Business leaders in general, and community bankers in particular, played a major role in helping to pass the 1991 Kentucky Education Reform Act, which provided a kick-start to the reform of elementary and secondary education in the state. These leaders can play a similar role in reforming higher education in Kentucky. "Bankers could start by urging all participants in the higher education market—students, administrators and politicians—to view education as an investment and to focus on the return of this investment instead of fixating on the initial cost of the investment," Troske says. He also suggests that education leaders in the state need to be rewarded based on the number of kids who graduate from college and not just on the number who graduate from high school or the number of kids who enroll in college.

Troske concludes by saying that, "Only through a consistent, long-term commitment to increasing the number of college graduates in Kentucky can we reverse the decades-long decline in the state's economy and begin catching up with the rest of the country."

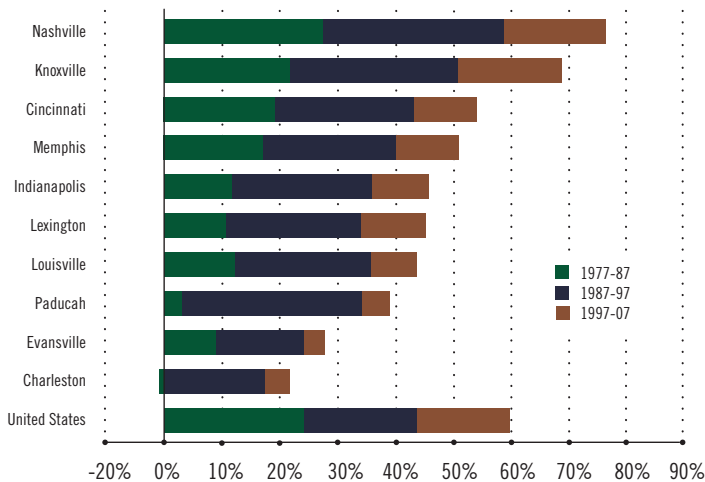
Maria Gerwing Hampton is the senior branch executive of the Louisville Branch of the Federal Reserve Bank of St. Louis.

FIGURE 1
Three Decades of Population Growth, 1977 to 2007
ECONOMIC AREAS AROUND KENTUCKY



SOURCE: U.S. Bureau of Economic Analysis figures. The figure includes Charleston, W.Va., for comparison.

FIGURE 2
Three Decades of Job Growth, 1977 to 2007
ECONOMIC AREAS AROUND KENTUCKY



SOURCE: U.S. Bureau of Economic Analysis figures. The figure includes Charleston, W.Va., for comparison.

Community Leaders Explore Small-Business Lending Problems

By Lisa Locke

OwniOning a small business can be filled with many unknowns and risks for the owners, especially in the current economy. With new or expanding small businesses being the largest source of private employment, many economic development experts are relying on building companies locally instead of the traditional model of recruiting large corporations to the community.

Today, many businesses are struggling to stay afloat because of troubles in the financial services industry, which have led to more-restrictive lending policies. In late winter and early spring, the St. Louis Fed's Community Affairs department helped address the financing needs of small business by gathering key stakeholders to share their perspectives on lending matters.

The St. Louis Fed's meetings helped identify credit gaps in small-business financing and gathered information on regional differences in access to credit. Participants included representatives from community and national banks, political offices, and community and business groups from the Little Rock, Louisville, Memphis and St. Louis zones. The key takeaways were similar, as participants generally agreed on the following:

- The economy continues to be an issue for small businesses, particularly with available capital and access to capital; consequently, many small businesses are more fragile. "The best customers we cater to are hungering down, and we continue to support them in difficult times as best we can," said one banker. He explained that if his bank can't give a loan to a long-time customer, another bank won't give that person a loan, either.
- For some, credit cards were their primary source of capital, but with

some banks cutting credit card limits, owners are finding it harder to get other types of credit.

- Stricter underwriting standards are limiting the supply of loans to small business. Financial institutions have returned to more traditional underwriting standards, which are more dependent on equity and cash flow than on credit scores. At the St. Louis meeting, one financial institution representative described this as "getting back to lending basics in underwriting."
- The demand for small-business support services and for assistance from small-business development centers is on the rise. Technical-assistance providers report that they are seeing a different type of client: Small-business owners who traditionally sought lending from banks are now seeking help from support-service providers and searching for alternative funding sources.
- Participants agreed that the U.S. Small Business Administration loan programs are great; however, most financial institutions have not taken advantage of the new programs and increased guarantees. Many bankers see SBA products as requiring too much preparation and monitoring of the loans as too cumbersome.
- Collaboration between financial institutions and support-service providers is needed to sustain small-business development. A referral system and better communication are needed between the organizations.

Findings from these local meetings are being combined with information collected from around the country. As a result of what the Fed learned, the Fed's Board of Governors in August will share the findings and best practices and discuss future actions. In the Eighth District, the next step will be to bring together lenders, technical-

Navigate CRE Loan Workouts

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- expecting examiners to take a balanced and consistent approach in their review of banks' workout activity, and
- understanding that restructured loans will not be adversely classified solely because the value of the underlying collateral has declined to an amount less than the loan balance.

In addition, financial institutions that implement prudent loan workout arrangements after performing comprehensive reviews of borrowers' financial conditions will not be subject to criticism for engaging in these efforts, even if the restructured loans have weaknesses that result in adverse credit classifications.

"We're sure you've heard this many times: 'Prudent workouts' means that each loan should be judged on its own merits and not on trends," Siddique noted. "Prudent workouts are in everyone's interest, but not all loans can be worked out. And bankers should keep in mind that 'pretend and extend' is not a prudent loan workout."

Essentially, cash flow is king on loan workouts. Siddique urged his listeners to "decide whether a loan to a sound borrower should be adversely classified by determining whether well-defined weaknesses exist that jeopardize repayment."

The federal guidance provides some detailed examples of loan workouts. As a general rule, banks should contact their chartering authority and/or their primary federal supervisor for answers to specific CRE loan workout questions. Bankers interested in listening to the online recording of this special "Ask the Fed" program may do so by contacting the Federal Reserve Bank of St. Louis at askthefed@stls.frb.org.

>> MORE ONLINE

Policy Statement on Prudent CRE Loan Workouts

www.federalreserve.gov/board-docs/srletters/2009/sro907a1.pdf

CRE and Debt Problems

www.stlouisfed.org/publications/cb/articles/?id=1849

Are District Banks on the Mend?

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topped 15 percent.

The large decline in loan loss provisions and continued increases in nonperforming loans put more downward pressure on the District's coverage ratio (the ratio of loan loss reserves to nonperforming loans). The ratio declined 364 basis points to 62.42 percent, indicating about 62 cents are in reserve for every dollar of nonperforming loans. For U.S. peer banks,

the coverage ratio increased slightly, but at 53.76 percent, remains well below the District's ratio.

The District's average leverage ratio remained virtually unchanged in the first quarter at 8.83 percent. For U.S. peer banks, the average leverage ratio rose 12 basis points to 9.14 percent.

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

assistance providers and alternative financial providers to explore the possibility of developing a loan fund for the St. Louis region. Several meeting participants have expressed their interest in being part of the ongoing dialogue.

Lisa Locke is a community affairs specialist in the Louisville Branch of the Federal Reserve Bank of St. Louis.

>> MORE ONLINE

When Will Business Lending Pick Up?

<http://research.stlouisfed.org/publications/es/10/ES1008.pdf>



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- Final Stage of Credit Card Changes Coming in August

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Read these features at www.stlouisfed.org/publications/cb/

Reader Poll

New rules governing debit cards and overdrafts take effect this summer. The new rules are supposed to benefit consumers. Will the new rules make you more or less likely to use overdraft programs?

- More likely, because I like being able to opt in to overdraft services for my debit card and ATM transactions.
- Less likely, because opting in could lead me to overspend.
- The new rules won't change my spending habits.

Take the poll at www.stlouisfed.org/publications/cb/. Results are not scientific and are for informational purposes only.

In the spring issue's poll, we asked how often you use checks these days on a personal level. Based on 661 responses (percentages are rounded):

- 41 percent said they still use checks because they're safer than electronic payments.
- 28 percent said they use a combination of checks, cash, credit/debit cards and electronic payments.
- 19 percent said they use them once or twice a month.
- 13 percent said they don't use them anymore.



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<https://www.stlouisfed.org/publications/central-banker/summer-2010/stackhouse-discusses-the-current-state-of-the-banking-industry>

Views: Stackhouse Discusses the Current State of the Banking Industry

St. Louis Fed Banking Supervision and Regulation Senior Vice President Julie Stackhouse discussed the current state of the banking industry in a presentation to Tennessee bankers at A Day with the Commissioner on May 12, hosted by the Tennessee Department of Financial Institutions in Nashville.

In her presentation, The Current State of the Banking Industry, Stackhouse included a look back at the history of the financial crisis and its spillover effects; an overview of the current state of the banking industry, and the near-term challenges facing banks.

St. Louis Fed President James Bullard was the keynote luncheon speaker at the event. See the press release and his presentation, The U.S. Economic Situation and Regulatory Reform.



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<https://www.stlouisfed.org/publications/central-banker/summer-2010/annual-report-why-the-fed-is-a-welldesigned-central-bank>

Views: Annual Report: Why the Fed Is a Well-Designed Central Bank

Recently, critics of the Federal Reserve have called for curbing the Fed's independence. Keeping the central bank at arm's length from partisan politics was a primary consideration when Congress created the Fed in 1913. And central bank independence is still important to preserve today, says Research Director Chris Waller, the author of the Bank's 2009 annual report, *Why the Fed Is a Well-Designed Central Bank*. Waller says that the Fed's credibility, independence, accountability and transparency combine to make it a well-designed institution.

In a message preceding the essay, Bank President Jim Bullard writes: "As we emerge from one of the worst economic and financial crises in a generation, it is appropriate for the nation to scrutinize the structure and responsibilities of the Federal Reserve System. In a democracy, that's how it's done. But, as the debate ensues about how best to improve the Fed, we should consider change carefully. In creating the Fed, Congress understood that to ensure good monetary policy, the incentives needed to be right. Independence with accountability in the structure of the Federal Reserve System, in my opinion, was the right approach."

Read the full report.



Tools

Follow the St. Louis Fed on Social Media

To make it easier to get the information you want from the St. Louis Fed, we are now on Twitter, Facebook, YouTube, LinkedIn, Flickr or in your inbox.

- On Twitter, we post messages and links about important research, data, speeches, conferences, articles in our publications and media coverage of all of the above. In addition, many of our job openings are advertised on Twitter.
- You can “like” us on Facebook to have updates about our publications, events and news appear in your news feed.
- On our YouTube channel, you’ll find Bank-produced videos that cover timely topics, including those from Bank President James Bullard.
- Check out our Flickr site for photos of our events held all over the Eighth District.
- If you’re already “linked in,” you will be able to connect with many employees of the St. Louis Fed who’ve also posted their work history and work interests on LinkedIn.
- Sign up for RSS feeds and be the first to know when we update stlouisfed.org
- You can also sign up for e-mail alerts to have updates delivered directly to your inbox.

Use this Easy Resource on Consumer Credit Conditions

With the continuing high unemployment rate, bankers are looking to find good sources of information on consumer credit conditions. To find information and resources on mortgages, bank cards, auto loans and student loans, you can use <http://data.newyorkfed.org/creditconditions/>. The web site also has a mapping feature that allows you to see the impact of credit conditions in various geographic locations.

Information, resources and capabilities, organized by mortgage type, include the following:

Prime, Fannie Mae and Freddie Mac, Jumbo, FHA and VA Mortgages

- The New York Fed aggregates from loan-level data
- State and county level data is downloadable in spreadsheet format
- Variables include foreclosure and delinquent percentages, flow out of foreclosure, ARM resets and loans per 1,000 housing units
- Information is updated monthly

Subprime and Alt-A Mortgages

- The New York Fed aggregates from loan-level data
- State and county level data is downloadable in spreadsheet format
- Available in variables including foreclosure and delinquent percentages, late payments, ARM resets, real estate owned per 1,000 housing units and median combined loan-to-value ratios

- Information is updated monthly

Auto and Student Loans, Bank Cards and All Mortgages

- Data include individual-level data representing more than 20 million consumer credit records
- The primary residence of the buyer is captured, not the address of the mortgaged property
- Joint accounts are reported differently, as each individual will have a delinquency reported on his or her credit report
- Information is updated quarterly

Fed Creates Tool for Electronic Adjustments

Your staff can use a new online tool for banks to streamline and manage their electronic adjustments, called Check Adjustments Case Status Report.

The report will be generated at the close of business each day with the most up-to-date status of all adjustments cases submitted to the Bank. This report will reflect requests that are pending (awaiting supporting documentation or a response from another institution) or outstanding (from the perspective of the sender, for which provisional entry or the requested information has not yet been provided).



Rules and Regulations

Participate in the Fed's Regulation C Public Hearings

The Federal Reserve Board is holding four public hearings between July and September on potential revisions to Regulation C, which implements the Home Mortgage Disclosure Act.

The Board wants to:

1. evaluate whether the 2002 revisions to Regulation C, which requires lenders to report mortgage pricing data, help provide useful and accurate information about the mortgage market;
2. gather information that will help the Board assess the need for additional data and other improvements; and
3. identify emerging issues in the mortgage market that may warrant additional research.

The hearings will take place at the Atlanta Fed on July 15, the San Francisco Fed on Aug. 5, the Chicago Fed on Sept. 16 and the Federal Reserve Board in Washington, D.C. on Sept. 24. Mortgage lenders, consumers, community and consumer organizations, and other interested parties are invited to participate in the hearings. Eighth District bankers can participate either in person or by submitting written statements of any length before any of the events.

Agencies Issue Correspondent Concentration Risks Guidance

The federal financial regulatory agencies issued Interagency Guidance on Correspondent Concentration Risks on April 30. Financial institutions are expected to consider actions beyond the minimum requirements to identify, monitor and manage correspondent concentration risks, especially when there are rapid changes in market conditions or in a correspondent's financial condition.

It is important for financial institutions to:

- implement procedures for identifying correspondent concentrations;
- consider aggregate credit concentration exposures on the asset side of the balance sheet;
- consider aggregate funding concentration exposures on the liability side of the balance sheet;
- calculate credit and funding concentration exposures;
- monitor correspondent relationships: define the information, ratios or trends that must be reviewed on each correspondent on an ongoing basis, and consider factors such as deteriorating trends in capital or asset quality, level of other real estate loan, the existence of public enforcement actions, etc.; and
- manage the concentrations. If the concentration exceeds prudent risk management thresholds, take steps to review it.

Several examples illustrating possible actions by an institution are included in the final guidance. If you have any questions, contact your regulator.

Final Debit Cards and Overdraft Protection Rules Effective in July

If your customers are unsure how the new rules are supposed to work for debit cards, ATM withdrawals and the like, you can direct them to the Fed's Overdraft Protection web site.

Meanwhile, the Federal Reserve Board proposed clarifications to its Nov. 17, 2009, final Regulation E rule regarding assessing overdraft fees on one time debit card and ATM transactions. The proposal clarifies that the prohibition in Regulation E on assessing overdraft fees without the consumer's affirmative consent applies to all institutions, including those with a policy and practice of declining ATM and one-time debit card transactions when an account has insufficient funds.

Final Stage of Credit Card Changes Coming in August

The last of a series of changes to credit card practices take effect in August.

The third stage of credit card changes required by the 2009 Credit Card Accountability Responsibility and Disclosure Act will address practices related to excessive penalty fees and require credit card issuers to inform consumers of the reasons for increases in rates. In addition, issuers that have increased rates since Jan. 1, 2009, must evaluate whether the reasons for the increase have changed and, if appropriate, reduce the rate.